

**REPORT OF THE
VIRGINIA DEPARTMENT OF AGRICULTURE
AND CONSUMER SERVICES ON**

**Fostering the Export
of Virginia Agricultural
Commodities**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 12

**COMMONWEALTH OF VIRGINIA
RICHMOND
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PREFACE

House Joint Resolution No. 53 requests the Virginia Department of Agriculture and Consumer Services "to foster the export of agricultural commodities." H.J.R. 53 was sponsored by Delegate Clarence E. Phillips of Saint Paul, Virginia, and co-sponsored by Delegates of Ted Bennett of Halifax, Tom Jackson of Hillsville, Joe Johnson of Abingdon and Ford Quinlin of Gate City.

Specifically, H.J.R. 53 requests of the Department of Agriculture and Consumer Services "to foster the exports of agricultural commodities" by:

(1) "Developing and implementing programs fostering exports of Virginia agricultural products" and

(2) "Assess the Department's efforts and the efforts of other agencies and departments of the Commonwealth in increasing the export of farm commodities produced in Virginia."

Each part of the resolution will be examined as a separate entity and a description of the current activities underway by the different agencies will be described.

In general, the broad findings of the study are that the Virginia Department of Agriculture and Consumer Services (VDACS), through its Office of International Marketing, is accomplishing its mission of assisting Virginia producers and processors in developing export markets for their products consistent with an exporting company's desire, commitment and capability to respond to international market needs. The report provides suggestions regarding how to increase exports in several new markets and to help Virginia companies enter the exporting business. The study finds there is a reasonable level of cross communication between VDACS and other state agencies who may be in a position to assist in developing export markets for certain agricultural and food products.

The Office of International Marketing within VDACS developed this report with input from other state agencies involved in certain aspects of supporting Virginia international agricultural marketing efforts. These agencies and the scope of their activities are outlined in the report.

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Executive Summary

Pursuant to the 1992 House Joint Resolution No. 53, the Virginia Department of Agriculture and Consumer Services was requested to foster the exports of Virginia agricultural commodities. Further, the Resolution requests that VDACS develop and implement programs fostering agricultural exports and to assess the efforts of other state agencies in increasing the export of farm commodities produced in Virginia.

During calendar year 1991, \$3.4 billion dollars worth of agricultural products were exported through Virginia ports, according to data developed by the United States Department of Commerce. Exports of agricultural products from Virginia have increased 84% since 1987 with some 30 to 40 different agricultural products being exported to 60 different countries around the world. The major market for Virginia agricultural exports is Europe and the European Common Market. Japan, Hong Kong and the Pacific Rim countries also receive significant exports from Virginia. Exports to Mexico and Canada are increasing significantly in light of the North American Free Trade Agreement. Other markets such as the Middle East, Africa and the Caribbean receive lesser quantities of Virginia products.

The Office of International Marketing within the Virginia Department of Agriculture and Consumer Services has responsibility for developing and implementing programs to increase the exports of Virginia agricultural products. These programs include:

1. Developing markets and locating overseas customers
2. Expediting trade lead inquiries
3. Maintaining import/export directories
4. Providing export marketing assistance to specific companies
5. For the 1993-94 biennium finding new market opportunities and helping companies consummate sales in the target markets of:
 - a) Eastern Europe and the former Soviet Union
 - b) Mexico
 - c) Canada
 - d) The Caribbean

Other state agencies provide ancillary and support services to assist the international marketing efforts of VDACS as follows:

1. The Virginia Department of Economic Development maintains an Expo/Info Center toll free number for interested exporters to call in getting general market information and country profiles. VDED and VDACS jointly sponsor and conduct export marketing seminars throughout the state to help get interested companies up and running in international marketing.
2. The Virginia Polytechnic Institute and State University and Virginia State University, through their Cooperative Extension Departments, are cooperators with the United States Department of Agriculture in launching a "Going Global" program designed to stimulate local and rural businesses in helping producers find export markets for their products.
3. The Virginia Department Forestry (DOF) is a valuable source of information regarding location and type of wood or wood products in Virginia which have export potential. Close liaison between VDACS and DOF is particularly valuable in helping small sawmills find export opportunities for their forest products.

It is the findings of this report that the Virginia Department of Agriculture and Consumer Services has in place effective programs designed to foster the export of Virginia agricultural commodities and these programs are responsive to changing world market situations. Further, the report finds that activities of other agencies in helping increase the export of farm commodities are effectively coordinated with those of VDACS who has the main responsibility for international marketing of Virginia agricultural products.

BACKGROUND INFORMATION

The Virginia Department of Agriculture and Consumer Services (VDACS) is assigned the primary responsibility for promoting the export of Virginia products and helping Virginia producers find markets and consummate sales on a global basis. The Office of International Marketing, within the agency's Division of Marketing, was established as far back as 1966 to specifically handle export programs of agricultural commodities for the Commonwealth. In 1968, an overseas office for agricultural product marketing was opened in Brussels, Belgium, to help develop markets in Europe, the Middle East and Africa. In 1980, a similar office was opened in Tokyo to pursue markets in Asia. In 1988, the Tokyo office was transferred to Hong Kong for reasons of economy and better operating efficiency in serving the newly developed markets of the Pacific Rim.

The primary mission of the Office of International Marketing "is to assist Virginia agricultural producers and processors meet the market demands of international customers of Virginia agricultural products". This office, based in Richmond, is staffed by a Director of International Marketing and four Product Export Managers, namely agricultural commodities, forest products, process foods, and equine marketing and promotion activities. See Appendix B.

A major competitive edge which Virginia has over other agricultural exporting states is the presence of overseas offices dedicated to the promotion of agricultural products. In the field and on-line contact with potential customers in major geographic market areas and immediate liaison with Virginia producers, either directly or through the Virginia staff office, is a great aid in helping Virginia foster exports. In addition, the Office of International Marketing has foreign language translation capability in some eight different languages which proves particularly helpful to Virginia producers as they seek customer contact.

The VDACS's Office of International Marketing accomplishes its mission through providing services in four main areas of exporting assistance as shown on the following page:

VDACS International Marketing Services:

Developing markets and locating customers through:

- * Conducting product/market studies
- * International buyer contacts through trade missions
- * Product promotion at trade shows, fairs and other sales development activities
- * Arranging Virginia exporter overseas trips to meet with international buyers
- * Accompanying foreign buyers to visit Virginia exporters

Expediting trade lead inquiries:

- * Acting as a clearinghouse for qualifying the export trade lead opportunities as listed by the Foreign Agricultural Service of the United States Department of Agriculture
- * Forwarding importer/exporter inquiries and conducting follow-up activities to help consummate a sale

Maintaining import/export directories:

- * Computer database of Virginia suppliers
- * International buyers hotline through the Virginia overseas offices to exporters based in Virginia

Providing export marketing assistance:

- * Financial arrangements and terms of payments
- * Transportation and shipping documentation
- * Packaging and labeling requirements

Other state agencies which provide ancillary services in developing agricultural exports are the: Virginia Department of Economic Development (VDED), the Virginia Department of Forestry (VDOF), Virginia Polytechnic Institute and State University (VPI & SU), and Virginia State University (VSU). A description of the activities of these other agencies and how effectively they interface with VDACS in helping develop exports of agricultural products is covered elsewhere in this report.

CURRENT SITUATION

During calendar year 1991, \$3.4 billion worth of agricultural products were exported from Virginia according to data developed by the U.S. Department of Commerce, Bureau of the Census, as shown in Appendix C. Furthermore, exports of agricultural products from Virginia have increased some 84% since 1987 as shown in Appendix D.

It should be noted that the Department of Commerce reports agricultural exports occurring from Virginia through the ports at Norfolk, Hampton Roads, Portsmouth and/or Richmond. There is no report available from the government or reliable third party sources which show only those exports from Virginia which actually were produced in Virginia by Virginia farmers and processors. Nonetheless, the exports reported by the Department of Commerce do give a fairly accurate and general indication of trend as to the product range, sales value thereof and country markets for Virginia agricultural products.

The number one export product from Virginia is tobacco whether in the unmanufactured leaf form or as cigarettes. Other agricultural products having significant export volumes are chicken and turkey, logs, lumber and forest products, peanuts, apples, soybeans, livestock, seafood products, and a host of special processed foods.

Overall some 30 to 40 different agricultural and food products are exported from Virginia to 60 different countries around the world. Approximately 50% of Virginia exports go to Europe and the European Common Market, 30% to Japan, Hong Kong and the Pacific Rim countries, 10% go to Mexico and/or Canada and 10% are exported to other geographical areas of the world, such as the Caribbean, Middle East and Africa.

Virginia is not a large exporter of basic agricultural commodities such as wheat, corn and other small grains as are many of the midwestern states. In addition, it should be pointed out that while Virginia produces a number of minor field crops, such as potatoes, cauliflower, broccoli and other vegetables, we do not produce enough quantity to be truly competitive in the world export market when compared to states like California and Florida. Those states have large marketing cooperatives or agribusiness corporations which command significant attention in the international marketplace. Virginia's strength is in the exporting of specialized products as listed above and higher value, processed food products. While non-commodity products do not represent major exporting dollars, they do represent important and profitable niche markets for Virginia producers internationally.

DEVELOPMENT OF NEW MARKETS

A major focus of the Office of International Marketing is to increase international marketing of Virginia agricultural and food products in order to broaden the diversification of the state's economic base and particularly so in rural/agricultural areas of the Commonwealth. This objective is accomplished in two ways, first, in uncovering new market opportunities for Virginia products and, second, in working with the small and middle size new-to-export companies to help them get up and running with sufficient size and confidence so as to serve international markets.

In order to find new market opportunities for Virginia products, the overseas area Directors in Europe and Asia continually monitor economic, social and political trends occurring in their respective areas of the world. These changes often times result in opening up markets which had heretofore not been available to Virginia producers.

Notable examples which have occurred in the last few months is the breakup of the former Soviet Union and emergence of markets in Eastern Europe where there is a great need for basic food commodities as soon as these countries develop their infrastructures and find ways of financing purchases of needed agricultural commodities.

The reducing of import barriers and tariffs for imported food into Mexico has already yielded additional sales for four Virginia companies which had previously been blocked from this market. With the expected signing of the North America Free Trade Agreement, we would expect additional trade opportunities with both Mexico and Canada.

Another market area we are targeting for increased trade is the Caribbean area, particularly aiming at those islands that cater to the tourist, hotel and resort trade. Already Virginia ships some poultry, hams, seafood and fresh apples to this market, but we feel a concerted marketing effort will yield additional opportunities. Virginia is well positioned to serve the markets of Canada, Mexico and the Caribbean, both geographically and with an appropriate product mix.

New Market Programs Planned and/or Under Way:

A. Eastern Europe

1. The International Marketing Office Director in Brussels has already visited Poland and Hungary to ascertain market potential for Virginia agricultural and food products.
2. Commissioner Clinton V. Turner recently returned from the former Soviet Union where he conducted a fact finding and educational trip to help uncover export opportunities in these new markets. This trip resulted in 480 head of beef and dairy cattle being shipped from Virginia to the Ukraine.
3. The State Agricultural Marketing Director traveled with a group to Prague, Czechoslovakia, to determine the market potential for Virginia products in that new economy.
4. The Director of International Marketing has met with officials from the State of Kazakhstan, in the former Soviet Union, to see if there are any products produced in Virginia which have an economic fit in this new and emerging market.

As indicated earlier, there appears to be some products of a basic commodity nature which will fit into the Eastern Europe markets, primarily frozen chicken and turkey. The market is not yet ready for higher valued agricultural products until the basic protein needs of the populations are met. Food storage, distribution and handling problems inherited under seventy years of a Communist central planned society will need to be changed before these markets are ready for the more specialized agricultural and food products produced in Virginia.

B. Mexico

1. VDACS has assisted Virginia companies in exhibiting at two food shows in Mexico City which have helped increase the sale of turkey and processed hams into this market.
2. VDACS has engaged an export marketing research firm to investigate new markets and introduce new Virginia companies to the Mexican market. Results of this activity will be monitored closely over the next several months.

3. The International Marketing Forest Products Manager has made three trips to Mexico within the last six months to open up market opportunities for Christmas trees and lumber products. We expect sales of both of these products within the next year.
4. The Office of International Marketing in conjunction with the Virginia State Horticultural Society has launched a program to get Virginia approved as an importing state for apple shipments into Mexico. We expect new sales to occur within the next six to nine months.

C. Canada

1. VDACS has assisted several Virginia process food companies at two different food trade shows in Canada within the last year. Results are encouraging.
2. The International Marketing Process Food Marketing Manager has completed arrangements to get certain Virginia wines accepted by the Canadian Liquor Control Board and we expect to export to this new market opportunity within the next several months.
3. Canada has been targeted as a potential market for Virginia hardwoods and the Forest Products Marketing Manager will be conducting a sales development trip to Canada in the first or second quarter of 1993.

The North America Free Trade Agreement will open up further market opportunities in Canada. Currently, Canada imports some \$18 million dollars a year of Virginia agricultural products with peanuts and tobacco being the primary contributors to this business.

D. Caribbean

1. The Forest Products Marketing Manager has made a recent trip to the Caribbean to determine the potential for Virginia Christmas trees. Results are promising for the 1993 season.
2. The Director of International Marketing will be attending a Caribbean Agribusiness Marketing Conference in December to help focus and target our marketing activities for such products as poultry, apples, wines and processed foods used by the hotel restaurant trade.

DEVELOPING NEW EXPORTERS

A major factor in developing increased export of Virginia agricultural products is to locate Virginia companies who have a real interest and commitment in exporting. Exporting is not for every person or company and to encourage a company to enter exporting before it is really ready does a great disservice to the financial structure of a company. The VDACS international marketing programs aimed at helping companies enter the export market stress three key elements.

1. **Getting a company to think export.** Exporting demands high quality products. A company must be a consistent source of supply in both good times and bad and a company must organize for the longer term since developing sales in the export market takes significantly longer than here in the United States.
2. **Adopt a market driven philosophy.** To be successful an exporter must give the market what the market wants not necessarily what the company has to sell. Building the product sales success at home first before trying to export helps increase the chances for exporting success.
3. **Visit the market.** The third element of our program is to encourage active producer participation and, if at all possible, visit the market where the product is to be shipped. To this end International Marketing will work with a company in setting up trip appointments, provide translation services, and conduct in-market follow up after the Virginia supplier has returned home.

The best way to uncover potential exporters is to personally contact interested companies here in Virginia, meet with the company principals, understand their product line, and determine their commitment and suitability for exporting. This is done in response to phone call requests, involvement in different producer trade associations, attending field days where exportable products are being displayed and appearing on educational and informational programs and exporting seminars held throughout the state.

All International Marketing Product Managers make this a part of their normal work plan and twice yearly the overseas marketing directors come to Virginia specifically to call upon companies with an interest in exporting.

In all these market contacts companies are encouraged to concentrate on product niche markets rather than attempt to get too big too quick. We advise and help them build strong distributor relationships in the target markets and we caution them to be ready to adapt to changing market and economic conditions which may occur from time to time. Toward this end we feel we have been effective in helping a company or producer evaluate the realities and potential successes in exporting.

ACCESSING EFFORTS OF OTHER AGENCIES

While VDACS's Office of International Marketing has the primary responsibility for fostering export of agricultural commodities in Virginia, several other state agencies offer valuable and ancillary support to the VDACS efforts. The Department of Economic Development, the Department of Forestry and the Cooperative Extension Services of both Land Grant state universities are helpful in providing exporting and product knowledge to those agricultural producers in Virginia who have an interest in developing export sales. Below are listed a brief description of the scope of the activities of these other agencies in order to demonstrate how they support the basic objective of increasing Virginia agricultural exports.

Virginia Department of Economic Development (VDED)

The trade development group within VDED has primary responsibility for helping non-agricultural based companies in developing export markets. However, this group can provide information to interested agricultural and food

2exporters through its Export Info Center toll free number from anywhere in Virginia. This group maintains a trade library and on-line databases designed to give industry and country profiles and broad general market information to potential exporters. Requests for specific product and market information on agricultural products are then referred to VDACS.

VDED also conducts a series of export trade seminars across the state designed to answer basic questions regarding marketing, financing and shipping of product into export. These seminars are co-sponsored by VDACS and Office of International Marketing personnel attend these seminars to answer questions relating specifically to agricultural exports.

Virginia Polytechnic Institute and State University (VPI & SU)
Virginia State University (VSU)

Through the Virginia Cooperative Extension Service at both VPI & SU and VSU some education and assistance about international marketing opportunities is carried on. The primary focus is on a program called "Going Global" which is a project sponsored by the U.S. Department of Agriculture with several states acting as cooperators in launching the "Going Global" concept. Virginia is one of those states whose extension agents, located throughout the state, are available as a resource to producers and processors wishing to find export markets for their products. In addition, the "Going Global" project allows cooperative extension agents to search electronic databases which publish lists of overseas buyers wishing to find specific products. The county agent is then able to link up a prospective buyer with a potential supplier for that product from Virginia. Once the match has been made, it is up to the supplier and buyer to negotiate a satisfactory contract and consummate a sale. The purpose of the "Going Global" concept is to stimulate local and rural business by helping producers find export markets for their products.

Virginia Department of Forestry (VDOF)

While VDOF is concerned primarily with production and management of forest lands and providing technical assistance to tree growers, they also can supply VDACS with product source information for international buyers who may have a need for a particular type of wood or wood product grown or produced in the state. The International Marketing Forest Products Marketing Manager communicates often with his production and domestic marketing counterpart based at DOF. This close interrelationship and exchange of information between VDACS and DOF is particularly valuable in helping loggers and sawmills find export opportunities for their forest products.

GENERAL ASSEMBLY OF VIRGINIA--1992 SESSION
HOUSE JOINT RESOLUTION NO. 53

Requesting the Department of Agriculture and Consumer Services to foster the export of agricultural commodities.

Agreed to by the House of Delegates, March 5, 1992

Agreed to by the Senate, March 4, 1992

WHEREAS, growth in economic activity in the agricultural sector will stimulate economic development in the entire Commonwealth; and

WHEREAS, it would be in the best interests of Virginia's farm economy to increase the export of agricultural products to foreign markets; and

WHEREAS, an increase in the export of Virginia farm commodities would also benefit Virginia's transportation, food processing, warehousing, and farm machinery industries; and

WHEREAS, Virginia agriculture has the capacity to increase production to meet increases in demands from foreign markets; and

WHEREAS, the proximity of Virginia's ports to agricultural areas provides a natural advantage to Virginia's farmers in the export of their products; and

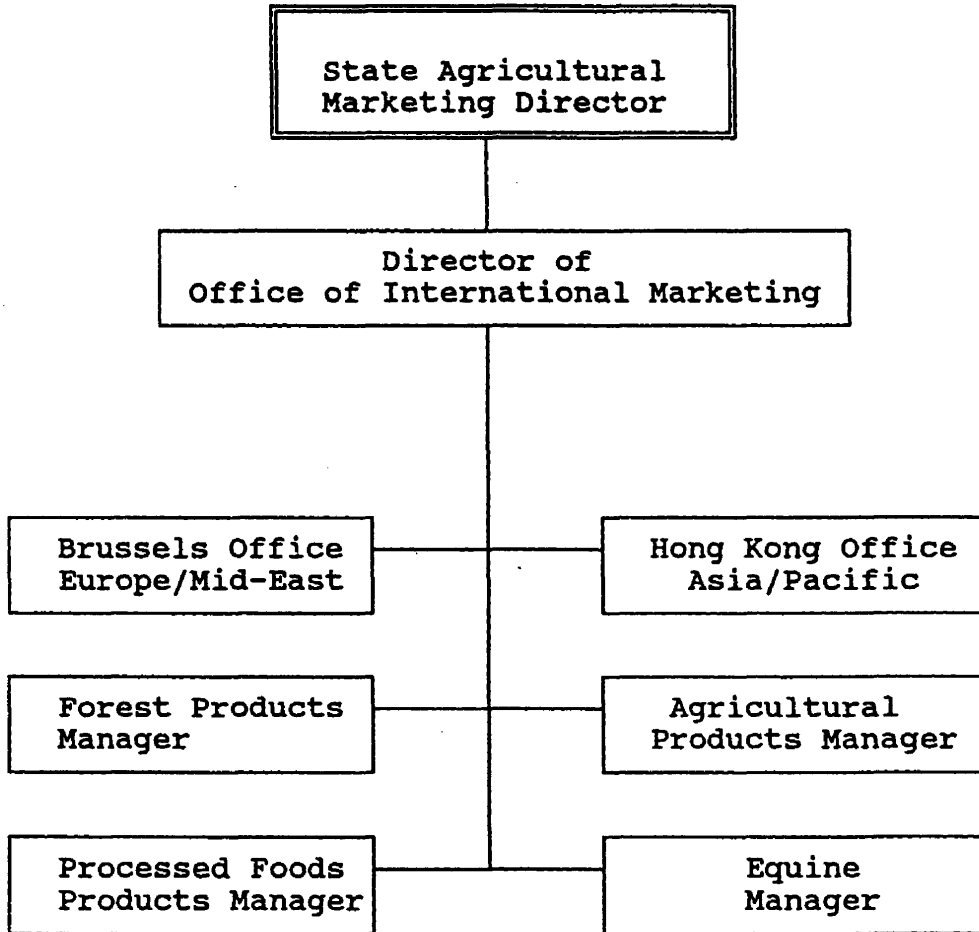
WHEREAS, the development of international markets for agricultural commodities produced in the Commonwealth could be facilitated by the coordinated efforts of state agencies; and

WHEREAS, it is appropriate to assess the efforts of the appropriate state agencies in developing markets for Virginia's agricultural products; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Department of Agriculture and Consumer Services be requested to develop and implement programs fostering exports of Virginia agricultural products. The Department is requested to assess its efforts, and the efforts of other agencies and departments of the Commonwealth, to increase the export of farm commodities produced in Virginia. The Department of Agriculture and Consumer Services shall submit its findings to the Governor and the 1993 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Appendix D

Department of Agriculture and Consumer Services
DIVISION OF MARKETING



Appendix C

AGRICULTURAL EXPORTS FROM VIRGINIA
C.Y. 1987-1991
 Stated Value in Millions of Dollars

	1987	1988	1989	1990	1991
Agricultural Commodities	\$377	\$371	\$218	\$305	\$423
Processed Foods	102	140	58	60	177
Logs/Lumber	40	44	56	70	88
Livestock	4	10	5	6	7
Seafood	1	1	5	4	8
Tobacco (leaf)	225	250	300	455	500
Tobacco (mfd)	1,100	1,235	1,472	2,300	2,200
Totals	<u>\$1,849</u>	<u>2,051</u>	<u>2,114</u>	<u>3,200</u>	<u>3,403</u>

Agricultural Commodities: Wheat, corn, soybeans, peanuts, apples, potatoes, vegetables, etc.

Processed Foods: Poultry and turkey meat, beef, pork, pastry products, pet foods and many miscellaneous canned/bottled food products, etc.

Logs/Lumber: Soft and hardwood logs, veneer logs, rough sawn lumber, dimension wood, flooring, millwork, etc.

Livestock: Generally dairy and beef cattle, also goats, sheep, swine, horses

Seafood: Crab and crab meat, scallops, oysters, clams, eels, wide variety fin fish

Tobacco: Leaf for further processing

Tobacco: Manufactured such as cigarettes, cigars, pipe tobacco, chewing tobacco, etc.

Appendix D

Growth in Export Sales 1987-1991 Graph

Agricultural Exports From Virginia Ports 1987-1991

