

Mississippi Agribusiness Exporting Primer



The Port of Gulfport, Mississippi. Photo courtesy of the Mississippi State Port Authority.

Mississippi's agricultural exports have continued to experience increases from \$1.5 billion in 2009 to an estimated \$2.3 billion in 2013 (13), with soybeans, broilers, and cotton being the top three agricultural exports (12). Mississippi's exports have become a vital part of our economy, boosting both farm prices and income. In addition, Mississippi agricultural exports support about 17,700 jobs both on the farm and in related industries (13). In 2013, international trade provided for over 339,000 Mississippi jobs in all sectors (11).

With many rapidly growing economies around the world such as China and India (1), demand for Mississippi agricultural products, including value added products and packaged meats, will continue to increase. In 2012, export sales already accounted for approximately 39 percent of total Mississippi farm receipts (13).

Although uncertainty in global markets exists, particularly for agricultural products, understanding the basic process, planning your approach, and seeking guidance from experts can help you navigate the exporting process and take advantage of the demand for Mississippi agricultural products around the world.

Benefits of Exporting

Why Consider Exporting?

- Ninety-five percent of the world's consumers and 80 percent of the world's buying power are outside of the United States. Therefore, if a U.S. business is only selling domestically, it is reaching just a small share of potential customers (11).
- Enables businesses to endure domestic economic fluctuations (2).
- Helps small companies grow and become more competitive in all their markets (3).
- Enables businesses to fully use their production capacity (2).
- Trade agreements have opened up markets including Australia, Chile, Singapore, Jordan, Israel, Canada, Mexico, Australia, Brunei, Japan, Malaysia, New Zealand, Peru, Singapore, Vietnam, and Central America, creating more opportunities for U.S. businesses (2, 11).
- As developing country economies grow and incomes increase, demand increases for various types of consumer products (2).

Economic Impact

- In 2013, U.S. agricultural exports provided approximately 1,094,400 jobs both on and off the farm (9).
- Agricultural exports are important to Mississippi's economy, totaling more than \$2.3 billion annually (13).
- Sales from exports accounted for approximately 39 percent of total Mississippi farm receipts in 2012 (13).

Small Business Growth

- Small- and medium-sized firms account for the majority of growth in new export businesses (11).
- Although small- and medium-sized companies represent only about 30 percent of the total export value of U.S. goods, they account for almost 97 percent of all U.S. export companies (3).
- Nearly two-thirds of small- and medium-sized exporters sell only to one foreign market. Therefore, there are opportunities to increase exports by expanding the number of countries to which they sell (2, 3).
- More than two-thirds of exporters have fewer than 20 employees (2, 11).

Approaches to Exporting

Direct Exporting — All aspects of the process are handled by the exporter. This can demand a great deal of time, but could also lead to higher profits.

Indirect Exporting — A manufacturer or service provider searches for domestic buyers who represent foreign customers. The buyer handles the details of the exporting process (1,9).

Where to Begin

Is Exporting Right for You?

Answer a few basic questions to help assess your readiness:

- Are you already having success in the United States with the product or service you are interested in exporting?
 - It may be best to start domestically to see if your product will be successful.
- Does your company have the production capacity to devote to exporting?
 - Additional capacity will be needed if you expand internationally.
 - There may also be unique manufacturing requirements to produce the product for the foreign market in which you are interested.
- Does your company have the financial resources for marketing internationally?
 - Having adequate financial resources is critical to success. However, there are programs through the Mississippi Development Authority and Mississippi Department of Agriculture and Commerce that can assist you with the marketing costs.

- Does your company have the administrative and support services to devote to exporting?
 - Similar to additional production capacity, adequate administrative and support services will also be critical.
- Does your company have the knowledge of the foreign market(s) you are interested in?
 - There are many aspects of foreign markets that must be taken into account, including production and shipping regulations, cultural preferences and tastes, and other characteristics unique to that market (4).

Develop an Export Plan

Your plan should include the following general tasks:

- Evaluating your product's export potential.
- Determining if you are ready to make a commitment to international markets.
- Identifying key foreign markets for your products through market research.
- Evaluating distribution and promotional options and establishing an overseas distribution system.
- Determining export prices, payment terms, methods, and techniques.
- Familiarizing yourself with shipping methods, export documentation procedures, export financing, and other requirements for exporting (3).

Consider Legal Aspects

There are many legal aspects of international trade that you should be aware of as you consider exporting. These include U.S.-related regulations, trade-related agreements, and intellectual property-related topics.

- **U.S.-related regulations** — Export Administration Regulations relate to national security issues, nonproliferation, foreign policy, and short supply and include the anti-diversion clause, anti-boycott regulations, and Foreign Corrupt Practices Act.
- **Trade-related agreements** — Trade-related agreements and mechanisms include North American Free Trade Agreement (NAFTA), U.S. Free Trade Zones (FTZs), Export Processing Zones (EPZs), and Customs-Bounded Warehouses. Specific to agricultural trade, the World Trade Organization Agreement on Sanitary and Phytosanitary Measures establishes the general rules for food safety as well as animal and plant health standards.
- **Intellectual property** — There are no international copyrights, patents, and trademarks; however, treaties and international agreements offer some protection of intellectual property. These include international agreements, international copyright law, patent law, and trademark law (1).

Get Assistance

There are organizations that will assist you in exporting your product(s). You are not alone. The organizations listed below have trade experts to offer advice, tools that make it easier, and programs that can assist you in the financial aspects of international marketing.

- **Mississippi Development Authority (MDA)**

The MDA is an economic and community development agency that supports Mississippi's small businesses through training in international trade, providing programs that assist with international marketing finances, and sponsoring international trade missions. Through the Mississippi State Trade and Export Promotion (STEP) Program, MDA can provide small businesses financial assistance to help cover many of the costs associated with exporting for the first time or with exporting to new international markets.

Contact: Rose Boxx, Bureau Manager, International Trade Office, 601-359-3045, rboxx@mississippi.org (6)

- **Mississippi Department of Agriculture and Commerce**

The Market Development Division of the MDAC works with the Southern U.S. Trade Association (SUSTA) to provide assistance to companies exporting high-value food and agricultural products. SUSTA offers financial and technical assistance through various export programs and services: brand promotion programs, export market research, promotional trade events, export training, and trade contacts.

Contact: Paige Manning or Susan Head, 601-359-1163, paige@mdac.ms.gov or susan@mdac.ms.gov (5)

- **Mississippi Export Assistance Center**

The MEAC is part of the U.S. Department of Commerce and helps small- and medium-sized businesses promote their products and services to global markets. Their assistance includes locating and completing background and credit investigations on prospective buyers, agents, distributors, representatives, and joint-venture and licensing partners. MEAC can also assist with the marketing aspects of exporting such as marketing research analysis and product/service promotion.

Contact: Carol Moore, 601-373-0773, carol.moore@trade.gov (15)

- **Mississippi World Trade Center (MWTC)**

The MWTC is a nonprofit organization that promotes the development of international trade and economic growth in Mississippi. The MSWTC is a member of the World Trade Center Association, a global organization made up of over 300 world trade centers in 100 countries and the world's largest reciprocal business trade association. MSWTC serves as the state's umbrella organization for international trade development, education, and cultural initiatives working to enhance the state's position in the global marketplace and to facilitate the addition of wealth and jobs for their members.

Contact: Tracy Diez, Executive Director, 601-353-0909, tdiez@mwtc.org (7)

Before meeting with one of the above organizations, consider the questions in the *Is Exporting Right for You?* section, as well as the following questions (10, 14). These answers will help them in directing you to the organization or program that is best suited to assist you.

- Are you considered to be a "small business" by U.S. Small Business Administration standards? (www.sba.gov)
- What is your current sales volume?
- Are your products of at least 50 percent U.S. agricultural origin?
- Are you currently exporting? If so, to what countries and for how long?
- What countries are you interested in?
- What is your current production capacity? (Is there room for growth?)
- How are overall sales currently trending?

Terminology

Understanding the terms used in exporting can be confusing. The following are a few basic terms to guide you. For a complete list of export-related terms, visit export.gov and look for Glossary of Terms.

Ad Valorem Tariff — A tariff calculated "according to value," or as a percentage of the value of goods cleared through customs (1, 3).

Agreement on Sanitary and Phytosanitary Measures (SPS) — Governed by the World Trade Organization, sets out the basic rules for food safety and for animal and plant health standards. Exporters of agricultural products benefit from the elimination of unjustified barriers to their products (16).

Customs-Bonded Warehouse — Secured area in which dutiable goods may be stored, manipulated, or undergo manufacturing operations without payment of duty (1).

Customs Declaration — Document that traditionally accompanies exported goods and includes information such as the nature of the goods, their value, the consignee, and their ultimate destination (1, 3).

Export Processing Zone (EPZ) — Site in a foreign country established to encourage and facilitate international trade. EPZs include free trade zones, special economic zones, bonded warehouses, free ports, and customs zones (1).

Foreign Agricultural Service (FAS) — A U.S. Department of Agriculture agency that provides programs related to market development, international trade agreements and negotiations, and the collection of statistics and market information (1).

Free Trade — A theoretical concept assuming that international trade is completely unhampered by government actions such as tariffs or nontariff barriers. In reality, some form of restrictions on trade generally exist (1, 3).

Foreign-Trade Zones (FTZ) — Domestic U.S. sites that are considered outside U.S. customs territory and are available for activities that might otherwise be carried on overseas for customs reasons (1, 3).

Market Access — The ability of domestic providers to penetrate a similar market in a foreign country. Accessibility often requires reductions in trade barriers (1, 3).

North American Free Trade Agreement (NAFTA) — Trade agreement between the U.S., Canada, and Mexico featuring duty-free entry and other benefits for goods that qualify (1, 3).

Subsidy — An economic benefit granted by a government to domestic producers of goods or services, often to strengthen their competitive position (1).

Tariff — A duty (or tax) levied upon goods transported from one customs area to another for either protective or revenue purposes (1, 3).

Trade Barriers — Government laws, regulations, policies, or practices that either protect domestic products from foreign competition or artificially stimulate exports of particular domestic products (1).

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