

***CUT YOUR COSTS AND SELL MORE:
PENETRATING FOREIGN MARKETS WITH GOVERNMENT
(AND SOME NON-GOVERNMENTAL) HELP***

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Abstract. Selling outside the US is more difficult than entering a US market. Realizing this, the US Government, state governments, and non-governmental trade support organizations have developed programs to ease market entry for small and medium-sized businesses. These programs aid in (1) understanding exporting (2) market research, (3) lead acquisition/finding buyers, (3) marketing, i.e., access to trade shows, trade missions, reverse trade missions, and expense reimbursement for qualified export marketing expenses (4) export financing, both (a) pre-export working capital loans as well as (b) post-export payment guarantee insurance. For manufacturers, processors and distributors of food products, these programs can be used to (1) decide if market entry is desirable, (2) proactively enter new markets and (3) cut market entry expense.

Small and medium-sized businesses constitute 97% of US exporters.¹ Even small firms realize that exports are a viable source of sales and profit. Small exporters note that: (1) the average order size for exports is often higher than for US sales, (2) foreign customers may not be as price sensitive as US customers, and (3) once relationships are established, they can remain stable for years.

But entering foreign markets is often hard for smaller businesses due to both financial and human resource limits. There are expenses not encountered in the US market (e.g., non-English sales material and translation, tariffs, labeling and packaging mandates). And in smaller businesses there are few people to do the work.

The Premise

Realizing this, the US government and the State of Florida have dedicated resources and developed services to support smaller exporters. And in Florida, state corporations (e.g., the Florida Finance Network) and non-governmental organizations (e.g., Florida Foreign Trade Association, World Trade Center Miami) also concretely aid small exporters.

The areas of support include:

- Export training
- Market research and country data (e.g., tariffs and import requirements)
- Leads
- Access to trade shows
- Access to trade missions (A US delegation of sellers visiting another country)

- Access to reverse trade missions (a non-US buyers' delegation visiting the US)
- Marketing expense reimbursement
- Working capital loans
- Foreign buyer's payment-guarantee insurance.

The organizations that can provide aid are:

- The US Commercial Service (USCS) – the arm of the US Commerce Dept. that aids US exporters, both inside and outside the US
- The US Foreign Agricultural Service and in South Florida, the Caribbean Basin Agricultural Trade Office (FAS and CBATO, respectively)
- The Florida Department of Agriculture (FDACS)
- The Southern United States Trade Association (SUSTA) focuses exclusively on supporting southern US agri-business exporters
- The Florida Foreign Trade Association (FFTA), which in partnership with the USCS and other trade support organizations, deploys trade missions and reverse trade missions.
- World Trade Center Miami (WTC), which is part of the global World Trade Center network
- The US Small Business Administration (SBA)
- Export-Import Bank of the US (Ex-Im)
- The Florida Export Finance Corporation (FEFC), which is a member of the Florida Finance Network, and
- Miami Dade College School of Business (MDC).

The Programs

As the table, ***Resources and Providers for Food Product Exporters***, indicates, varied providers have similar resources. Knowing which organization best supports your objectives can aid you in integrating their resources into your sales and marketing activity. Let's look at these in more detail.

Export Training

There are two key sources of export training, the US Commercial Service with its *Export University* program, and the US Foreign Agricultural Service's *Minority Export Training Program*.

- The US Commercial Service (USCS) provides market intelligence and marketing support. For “new to export firms” the USCS has an *Export University* (“*Export U*”) program. Sessions at varying levels of complexity are grouped under *Export U 101, 201, and 301*. The USCS also offers a *Basic Guide to Exporting* for purchase. http://www.export.gov/basicguide/eg_main_017243.asp
- The US Foreign Agricultural Service (FAS) in partnership with service providers like Miami Dade College offers a *Minority Export Training Program*. (*MET*). The *MET* provides an agri-business specific-focus on exporting. The FAS has

specific programs (detailed later in this article) applicable only to agribusiness producers, processors or distributors.

- The Southern U.S. Trade Association has an online primer entitled “Basics of Exporting.” <http://www.susta.org/export/index.html>

Market Research and Country Data

Two key sources of market and market research data exist:

- The US Commercial Service
- The US Foreign Agricultural Service

US Commercial Service:

- The US Commercial Service website, www.export.gov, is a treasure trove of data with the most basic resource being the “Country Commercial Guide.” Updated annually for major trading partners, the Commercial Guide briefs you on trade status with the country, best prospects for trade, marketing venues and cross-cultural marketing information.
- Major trade partners are also represented with an in-country US Commercial Service website (e.g., the US Commercial Service in France has its own website, <http://www.buyusa.gov/france/en> This site includes a wealth of France-specific data, e.g., trade shows, agreements with service providers, services provided by the USCS in France, and French providers of services required by US firms operating in France.)

The US Foreign Agricultural Service:

- The FAS www.fas.usda.gov site is also a repository of a vast amount of data.
- <http://www.fas.usda.gov/markettradedata.asp> is the starting point for most searches. Here in “Attaché Reports” you can find commodity specific as well as country specific data.
- The FAS also provides “*BICO*” Reports (**B**ulk and **I**ntermediate **CO**ommodity). BICO Reports quantify sales of commodities to a given country. BICO reports have remarkably detailed categories reflecting the US government’s data acquisition capability. <http://www.fas.usda.gov/ustrade/USTRxBICO.asp?QI=>
- Because many South Florida firms target the Caribbean, the FAS arm working the Caribbean Basin, the Caribbean Basin Agricultural Trade Office has researched and developed information on buyers of US products.
<http://www.cbato.fas.usda.gov/product%20and%20market%20briefs.htm>

Table 1: Resources and Providers for Food Exporters

RESOURCES	PROVIDERS									
	USCS	FAS	FDACS	SUSTA ⁽¹⁾	FFTA	WTC	SBA	Ex-IM	FEFC	MDC
Export Training	Y									Y ⁽²⁾
Market Research & Country Data	Y	Y	Y	Y						
Leads	Y		Y	Y						
Tradeshows			Y	Y		Y				
Trade Missions	Y	Y	Y	Y	Y					
Reverse Trade Missions		Y	Y	Y	Y					
Expense Reimbursement				Y						
Working Capital Loans							X	X	X ⁽³⁾	
Payment Guarantee Insurance		X						X	X ⁽⁴⁾	
NOTES										
1) Agri-business only										
2) Agri-business only										
3) Via SBA, Ex-Im, or private banks										
4) Via Ex-Im or private insurers										
Legend:										
USCS=US Commercial Service										
FAS=Foreign Agricultural Service										
FDACS=FL Dept. of Agriculture										
SUSTA=Southern US Trade Assoc.										
FFTA=Florida Foreign Trade Assoc.										
WTC=World Trade Center Miami										
SBA=Small Business Administration										
Ex-Im=US Export Import Bank										
FEFC=Florida Export Finance Corp.										
MDC=Miami Dade College										

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Leads

Qualified leads are the lifeblood of sales. The US Commercial Service (USCS), the Foreign Agricultural Service (FAS), Florida Department of Agriculture (FDACS), Southern US Trade Association (SUSTA) all have vehicles to provide you sales leads.

- USCS - Registration is required for the USCS trade leads database. (http://www.export.gov/eac/trade_leads.asp) But upon registering, you can search by product, industry, country or region.
- FAS - http://www.fas.usda.gov/agx/buying_us/buying_us_products.asp
Again, registration is required, but
 - FAS provides a list of foreign buyers.
 - FAS also provides a list of US suppliers.
- Florida Dept. of Agriculture provides leads to *Fresh from Florida (FFF)* participants. *FFF* requires a \$50 registration fee, but provides an array of benefits (including use of the *Fresh from Florida* logo!) Leads come via two monthly publications, the Agri-Journal and the Florida Market Bulletin.
 - For the Agri-Journal you must apply to become an *FFF* participant: http://www.florida-agriculture.com/marketing/fapc_join.htm
 - For the Florida Market Bulletin you may subscribe at http://www.florida-agriculture.com/fmb/view_ads.htm
- SUSTA – SUSTA has on the same web page <http://www.susta.org/foreignbuyers/index.html>
 - a directory of exporters (provided you register as an exporter) <http://directory.susta.org/exporters> and
 - trade leads (see “View Trade leads”) in the lower right hand corner. http://susta.org/foreignbuyers/trade_leads.html
- SUSTA will also push leads to the departments of agriculture of its member states so that the departments of agriculture can also disseminate them.

The most effective way to get leads involves meeting potential customers in their country. An excellent way to do this is the US Commercial Service’s “*Gold Key Matching Service*.” The exporter supplies the USCS product information and preferred buyer/distribution channel data. The USCS searches for that type of buyer.

With 6 to 8 weeks lead-time, the exporter travels to the foreign location to meet 4 to 10 firms, already pre-qualified and interested in the exporter’s products. Pricing is on a cost recovery basis: it has been as high as \$1500 for the first day, with a second day, if needed, at \$500 and as low as \$750. The ability to execute this service for agribusiness firms varies by market (as in some cases it may be performed at no cost IF the US FAS has operations in country and can provide the service.

Trade Shows

A database of global tradeshows exists at www.auma.de: one can determine when and where industry specific trade shows are to be held. Another site that also focuses on conferences is www.tsnn.com

The Florida Department of Agriculture (FDACS), World Trade Center Miami (WTC-M), and SUSTA are the three key sources of trade shows.

- FDACS will at times sponsor a booth under its *Fresh from Florida* (Florida Agricultural Promotional Campaign) brand to promote Florida products and producers. For example, FDACS had a booth at SIAL, which is the 2nd largest food-focused trade show in the world.
- WTC-M is the organizer of the Americas Food and Beverage Show.
<http://www.americasfoodandbeverage.com/>
Held annually during the 4th quarter of the year at the Miami Beach Convention Center, the show targets food buyers in the Caribbean and South America. This show is an “FAS approved domestic trade shows,” i.e., an exhibitor can be reimbursed for certain expenses under the MAP-Branded program (see below, *Expense Reimbursement*).
- SUSTA has two ways firms can participate in trade shows.
 - SUSTA participates in regional trade shows in Europe, Asia and Central America. Firms may elect to exhibit under the SUSTA banner, or they may send product and promotional material to be distributed at the show.
 - Using MAP-Branded funds (*Expense Reimbursement*) firms may participate in domestic or international trade shows.
 - If the show is physically held outside of the US it is typically approved for reimbursement.
 - If the show is physically in the US, it must be approved by the USDA as a show with “international content.” The list of approved shows is at <http://www.susta.org/services/map.html#eli>
 - Click on Eligible Expenses: on this page is a Word document with approved trade shows.
 - If the show is on the approved list, the USDA believes that there will be enough international visitors for you to get export leads.
 - Because the show is in the US, the USDA will not reimburse travel and living expenses as they would for a non-US show.

Trade Missions and Reverse Trade Missions

Trade missions are delegations of US sellers visiting a foreign country or countries. Most missions involve some level of cooperation between the organizer with the US Commercial Service and the *Gold Key Matching Service* – even if the trade mission is a state-government – driven initiative.

Missions may also take place under the wing of the Foreign Agricultural Service, with “Gold-Key-like” buyer/seller meetings arranged. Finally, non-governmental organizations, e.g., Florida Foreign Trade Association and SUSTA, deploy missions.

(On the SUSTA home page, on the upper navigation bar, there is a link to “Events.” (www.susta.org) The Florida Foreign Trade Association link is www.ffta.com (After you enter the site, Trade Missions are on the left hand navigation bar).

A reverse trade mission is a group of foreign buyers in the US. Again, the FAS, SUSTA, the Florida Dept. of Agriculture, the Foreign Trade Association all execute reverse trade missions. Indeed the Caribbean Basin Agricultural Trade Office of the FAS has found that reverse missions are its most effective tool to promote new US sales to the Caribbean. The Florida Foreign Trade Association has 8-12 missions a year in Miami.

Expense Reimbursement

The Southern US Trade Association (SUSTA) reimburses 50% of qualified marketing expenses for agri-business exporters. Called the *MAP-Branded Program*, reimbursable expenses include (but are not limited to):

- Trade shows (registration, booth creation, shipping product to the show, travel and living for two for the duration of the show, plus two days before and one day after, trade show guide advertising , and small promotional gift items.)
- Sales literature, including CD-ROMS, foreign language versions and the required translation to realize these.
- Public relations initiatives and sales seminars.²

Firms apply to participate in MAP-Branded, completing an application that details a marketing plan. http://www.susta.org/services/map_application.html

Adroit use of the program can yield significant results.

- Natural Fruit Corporation, in the midst of a record year in export sales, attributed \$750,000 in new 2006 business to the program.
- The Produce Connection, a Miami-based produce distributor grew export sales from \$1.054M in 2005 to \$4.59 million in 2008.
- King’s Foliage Nursery, a Homestead, FL re-wholesaler saw an 8 percentage point drop in Canada revenue in 2004 vs. 2003. At the end of 2004, using the *MAP-Branded* program they invested in *Garden Expo* in Toronto. 2005 revenue grew 125% vs. 2004,³ and with the expense reimbursement, King’s revenue to expense ratio was \$13:1, i.e., \$13 in sales for each \$1 invested.

Working Capital Loans

As firms ramp up to export, liquidity may be an issue. Or, in the case of distributors, customers may pay more slowly than suppliers demand payment and cash flow might be an issue. Both the US Small Business Administration (SBA) and the Export – Import Bank of the United States (Ex-Im) can help. Also, for Florida firms that are exporting,

the Florida Export Finance Corporation can serve as a consultant to help you understand the various programs of the SBA and Ex-Im (and other resources) and determine what program or mix of programs might be appropriate for the money you need.

The SBA has three programs:

- The Export Working Capital Program can be used to support a single sale or to establish a revolving line of credit. The entire loan can be up to \$2 million with the SBA guaranteeing (to the lender) \$1.5 million. With the loan, the borrower can:
 - Purchase finished goods or inventory for export
 - Finance pre-export labor and material costs used to produce export goods
 - Finance costs of U.S. labor and overhead for service-company exports
 - Finance foreign accounts receivables
- The International Trade Loan is designed to help a small business export or address adverse competition by guaranteeing as much as \$1.25 million in combined working capital, facilities and equipment loans. Proceeds can be used to purchase land and buildings, renovate facilities, or purchase machinery equipment and fixtures. The loan can provide transaction specific financing or provide general working capital.
- Export Express – Export Express program loans are intended to be easy to apply for and obtain. With a maximum loan of \$250,000, the SBA guarantees 85% up to \$150,000 and 75% of the amount above \$150,000 (maximum guarantee \$202,500). Proceeds can be used to finance export development activities, e.g., trade show participation, translation of marketing material.

Ex-Im has a Working Capital Guarantee program. The intent is to aid small and medium sized businesses by providing a guarantee to lenders for export related working capital. The loan is fully collateralized and includes (uniquely) receivables. Loans can be transaction specific or to set-up a revolving line of credit.

Receivables Insurance

Ex-Im also has a short term insurance program that protects an exporter against non-payment by their foreign buyers due to both commercial (insolvency, bankruptcy and default) and political risks (war, revolution, transfer risk) and also allows exporters to extend competitive credit terms to their foreign buyers. The exporter (1) must be a small business as defined by the SBA and (2) have annual export credit sales of less than \$5 million for the last two years (excluding confirmed letters of credit and cash in advance). There are two types of short-term insurance policies - single buyer, which covers single or multiple shipments to one buyer, and multi-buyer, which covers an exporter's entire export portfolio. Features of the multi-buyer insurance policy include:

- No deductible for one's first loss
- Simple premium-rate schedule

- Enhanced assignment (for qualified exporters), an attractive financing feature that allows a lender to add foreign receivables into the borrowing base or advance funds on the insured receivables with limited risk.

FAS also provides a payment guarantee with its GSM-102 program. GSM is not offered to all countries, only those where providing a payment guarantee might further agri-business trade. However, countries are also graded according to risk and coverage rates increase as the risk rises. Information on GSM 102 can be found at

<http://www.fas.usda.gov/excredits/exp-cred-guar-new.asp>

In the Caribbean, for example, included in the covered countries are Bahamas, Barbados, Cayman, the Dominican Republic, Jamaica, Saint Lucia and the British Virgin Islands. Charges vary based on the country risk and the length of the payment guarantee. As an example, the charge to obtain insurance for a \$20,000 shipment for 9 months would range between \$58 for Grand Cayman (0 risk) to \$105.20 to the DR (5 risk), while to guarantee a \$20K shipment to the DR for 36 months is \$184.80.

In Sum ...

With these programs that defray market entry costs, smaller businesses can make exports an even more viable and profitable part of their revenue stream. Governmental and non-governmental programs and resources can be used to lower the cost of foreign market entry and to reduce the risk involved. Judicious application of the available resources can see firms increase market share, revenue and decrease marketing and transaction cost. Finally, with the possibility of increased liquidity and decreased risk of non-payment, firms can truly realize the benefits of international business.

Sources Used

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2. Southern United States Trade Association; description of MAP-Branded program. Webpage: <http://www.susta.org/services/map.html>
3. Press Release, Miami Dade College, July 5, 2005: “Small Miami Agri-businesses Growing Exports with ‘How To’ Fertilizer from Miami Dade College.

Table 2: Contact Information

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