

***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 crafted programs to ease market entry for small and medium-sized businesses. These programs aid in (1) understanding exporting (2) in market research, (3) finding buyers, (3) marketing, i.e., accessing trade shows, trade missions, reverse trade missions, and being reimbursed for export marketing expenses, and (4) export financing, both (a) pre-export working capital loans as well as (b) post-export payment guarantee insurance. For growers and distributors of ornamental horticulture, these programs can be used (1) to determine if market entry is desirable, (2) to enter new markets and/or (3) to cut market entry expense.

Small and medium-sized firms constitute 97% of US exporters.¹ Even small firms find exports to be a source of sales and profit because they note that (1) average order size is often higher than US sales, (2) foreign customers may not be as price sensitive as U.S. 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 the people and money to do the work are limited.

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) also provide concrete support for 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 visiting another country)
- Access to reverse trade mission (a non-US delegation visiting the US)
- Marketing expense reimbursement

- Working capital loans
- Foreign buyer's payment-guarantee insurance.

The organizations that can provide help and support are the:

- US Commercial Service (USCS), the arm of the US Commerce Dept. that aids US exporters, both inside and outside the US
- US Foreign Agricultural Service, and particularly in South Florida, the Caribbean Basin Agricultural Trade Office (FAS and CBATO, respectively)
- Florida Department of Agriculture (FDACS) Marketing Division
- Southern United States Trade Association (SUSTA) which focuses exclusively on supporting southern US agri-business exporters
- Florida Foreign Trade Association (FFTA) which, partnering with the USCS and other trade support organizations, deploys trade and reverse trade missions
- 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 Ornamental Horticulture Exporters***, indicates, similar resource can be acquired from varied sources. Knowing which organization can best support you aids you in integrating their resources into your sales and marketing activity. Let's look at these in more detail.

Export Training

There are three key sources of export training, the US Commercial Service with its *Export University* program, the U.S. Foreign Agricultural Service's *Minority Export Training Program*, and the Southern U.S. Trade Association's primer on exporting.

- 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

Three key sources of market and market research data exist:

- US Commercial Service
- 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 agri-business specific 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. The key gap for ornamental horticulture is that the BICO reports aggregate ornamental horticulture trade data into *very* high level groupings: as a result, one cannot determine with precision what species are being brought into a market.
<http://www.fas.usda.gov/ustrade/USTRxBICO.asp?QI=>
- Because most South Florida ornamental horticulture providers 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 Ornamental Horticulture Exporters

RESOURCES	PROVIDERS								
	USCS	FAS	FDACS	SUSTA (1)	FFTA	SBA	Ex-Im	FEFC	MDC
Export Training	Y								Y (2)
Market Research and Country Data	Y	Y	Y	Y (3)					
Leads	Y	Y	Y	Y					
Tradeshows				Y					
Trade Missions	Y	Y	Y	Y	Y				
Reverse Trade Missions		Y	Y	Y	Y				
Expense Reimbursement				Y					
Working Capital Loans						Y	Y	Y	
Payment Guarantee Insurance		Y					Y	Y (4)	

Notes:

- 1) Agribusiness Only - SUSTA funded by the USDA's FAS
- 2) Agribusiness Only - Minority Export Training Program
- 3) via Global Export Management System (GEMS)
- 4) Via Ex-Im or private insurers

Legend: US Commercial Service = USCS

US Foreign Agricultural Service = FAS

Florida Department of Agriculture = FDACS

Southern Trade Association = SUSTA

Florida Foreign Trade Association = FFTA

US Small Business Administration = SBA

Export Import Bank of the US = Ex-Im

Florida Export Finance Corp. = FEFC

Miami Dade College School of Business = MDC

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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), and 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

IPM, held in Essen Germany is the key global ornamental horticulture show that is supported by SUSTA (via a joint booth with the Southern Nurserymen’s Association).

IPM is held in January and comes the week after TPIE. Websites that can help you search for viable shows are www.auma.de and www.tsmn.com

Trade Missions and Reverse Trade Mission

Trade missions are delegations of US sellers visiting a foreign country or countries. Most trade 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. Trade 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 homepage, on the upper navigation bar, there is a link to “Events.” <http://directory.susta.org/events>

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. The Florida Foreign Trade Association has 8-12 missions a year in Miami. <http://www.ffa.com/NewSite/Home.asp>

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.

Adroit use of the program can yield significant results. 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 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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Table 2: Contact Information

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