Agri Pulse
Balanced Reporting. Trusted Insights.

March 29, 2023 Volume 19, Number 13

Ag groups say market promotion aid pays off, but is underfunded

This article is reposted with permission from Agri-Pulse, the nation's leading provider of farm policy information. For a free month-long trial, click here.

In a period when inflation has raised the cost of everything from fertilizers to shipping, groups representing agricultural producers and processors are calling for increased funding for two proven and long-standing export programs.

The groups have asked Congress to double the funding for the Market Access Program (MAP) and the Foreign Market Development (FMD) Program, both of which have been operating at the same funding level for nearly 20 years even as demand for funding has increased. According to USDA Undersecretary for Trade and Foreign Agricultural Affairs Alexis Taylor, requests for MAP and FMD monies have far exceeded current funding.

Kathleen Nave, president of the California Table Grape Commission, said the need to put more money toward the programs is obvious, given their long track record of success.

“We have a lot of ground to make up because of the high shipping costs and the 2018 tariffs,” Nave said, adding that prior to 2018, table grape exports accounted for about 40% of California table grape production, which has since fallen to 30%.

In January, Sen. Angus King, I-Maine, reintroduced the Cultivating Revitalization by Expanding American Agricultural Trade and Exports Act (CREAATE Act) in the Senate, and Rep. Dan Newhouse, R-Wash., reintroduced a similar bill in the House. Both bills would double annual mandatory funding for MAP to $400 million and FMD to $69 million. As farm bill negotiations proceed, efforts to include additional funding in that legislation will also intensify.

Through MAP, USDA’s Foreign Agricultural Service partners with agricultural trade associations and others to share the costs of marketing and promotional activities that help build commercial export markets for U.S. agricultural products.

The FMD Program, a partnership between FAS and nonprofit commodity or trade associations representing agricultural producers and processors, helps create, expand and maintain long-term export markets by promoting products overseas. The last time Congress increased funding for MAP was in 2006 and for FMD in 2004.

“The programs are working and working well, but if they remain static or, heaven forbid, if program funding were reduced, our customers could start to look to other suppliers,” said Robbie Minnich, vice president of Washington operations for the National Cotton Council.

Last year, U.S. agricultural exports increased $19.5 billion, or 11%, to hit a new all-time high of $196 billion, according to data from the U.S. Commerce Department. Much of that success can be attributed to the work of export promotion groups, more exports of value-added products, and inflation.

According to a study prepared for the U.S. Grains Council, a doubling of MAP and FMD funding would generate an additional $44.4 billion in U.S. agricultural exports over the 2024-2029 study period, a 3.6% increase and an annual average gain of $7.4 billion.

In turn, cash farm receipts would climb $3.75 billion a year and $22.5 billion over the seven-year period. Net cash farm income would rise by $630 million annually or $3.76 billion over the period. The overall economy would also benefit, with GDP climbing $6.27 billion annually and $37.62 billion between 2024 and 2029. In addition, the U.S. economy would gain 64,520 jobs.

The dairy industry is among the sectors observing success from the programs.

Over the past two decades, commercial dairy exports have increased from virtually zero to 18% of total milk production in 2022. At the same time, though, dairy farm numbers have dropped by 60%, going from 70,375 in 2003 to 27,932 last year. However, without exports, dairy farm attrition would have been worse, according to Jaime Castaneda, executive vice president for policy and strategy at the National Milk Producers Federation.

“It is absolutely clear that exports are a critical element of the incomes of dairy producers,” Castaneda said. “Without exports, dairy farmers would be hurting significantly. It is clear to me we need more exports and more opportunity to put products overseas.”

Some of the other industries that benefit from the two programs are even more export-dependent. For export, California produces 80% of the world’s almonds, and 70% of those are exported.

“The world has changed a lot since 2006,” said Aubrey Bettencourt, president and CEO of the Almond Alliance of California. “Trade disruption and trade policy have had a negative impact on trade. As grant recipients, we can develop markets and market access and take on the challenges of different trade barriers.”

A changing world not only requires more nutrient-dense foods, but also more government funding to help some of the sectors producing these high-nutrient, value-added foods to further develop markets and overcome trade barriers, Castaneda said. For instance, the U.S. Dairy Export Council received $659,239 in MAP funding in fiscal year 2023, and $9.5 billion in dairy products were exported last year. By contrast, the American Soybean Association received more than $6.9 million from MAP in fiscal year 2023, and $5.2 billion in soybean products were exported, according to FAS data.

Castaneda not only hopes that Congress will double the funding for MAP and FMD but also that FAS will distribute the funds in ways that will allow dairy’s share of the funding to increase.

“Things have changed in the past 20 years,” he said, adding that world demand for dairy continues to increase, particularly in Asia where pizza, snacking cheese, and nutritional drinks for people of all different ages, which include dairy ingredients such as whey, continue to grow in popularity.

The same is true for almonds, which was California’s third largest export crop by value in 2021, according to the California Department of Food and Agriculture. As people in Africa, the Middle East, and parts of Asia become more upwardly mobile, their demand for protein increases, and almonds are an excellent source of protein, healthy fats, fiber, and vitamin E.

“We live in an emerging and changing world. We have an amazing product, and we are open for business,” Bettencourt said, adding that as long as water remains available, California almond growers can meet increased demand for their three main export products, snacking nuts, almond paste and powder, and hulls.

The Cotton Council International, which is under the umbrella of the National Cotton Council, has been one of the largest recipients of both programs. Last year, ICC received nearly $13.9 million from MAP and nearly $4 million from the FMD program. However, Minnich said that the combined effect of budget sequestration, inflation and administrative costs have effectively reduced the value of that funding by one-third since 2006, and more entities want to enter the program. Program costs last year reduced the total amount of money allocated through MAP from $200 million to $175.6 million.

“Cooperators are not able to do as much as they could due to the limited amount of funding,” Minnich said. “That $175 million went a lot further before inflation.”

The United States is the world’s fourth largest producer of cotton, and about 80% to 85% of it is exported. To build markets, CCI holds cotton days around the world. Local textile makers attend these events to learn about the benefits of U.S. cotton, and attendees typically leave with the intention of buying additional bales of U.S. cotton, Minnich said.

Without the ability to fund such events, buyers could look to Brazil, India, China or other competitors for cotton. A demand drop, in turn, would depress prices paid to U.S. cotton farmers. Keeping exports buoyant can also help to shield U.S. cotton farmers from recessions, when demand for clothing — and thus demand for cotton from textile mills — typically drops.

“Because of these programs, we are able to go into places like Vietnam, China, and Pakistan and build demand for U.S. cotton,” Minnich said. “We need to make sure that these programs are funded well enough so that CCI and other cooperators can keep and build demand for their products.”

Nave said her group ships grapes to about 50 to 60 countries a year, but the Table Grape Commission only markets to 16, which account for 95% of their exports.

“We would like to be able to do more volume into more countries,” she said.