THE EXPORT DECISION: PROFILES OF FOOD PROCESSING FIRMS IN KANSAS, MISSOURI, AND OKLAHOMA.

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THE EXPORT DECISION: PROFILES OF FOOD PROCESSING FIRMS IN KANSAS, MISSOURI, AND OKLAHOMA.

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CHAPTER I

INTRODUCTION

In the past two decades, the business environment facing American companies has become increasingly complex. Competition in the world market and movements toward less restrictive trade policies have forced operations in most industries to become more efficient. As firms in all industries prepare for business in the 1990's, they are increasingly turning to foreign buyers to meet their sales and profit goals.

Exports in the U.S.

International trade plays a major role in the U.S. economy. U.S. exports of merchandise totaled more than $448 billion in 1992, up from $394 billion in 1990. Foreign sales of American services added another $166 billion to our Gross National Product in 1992 (Business America, 1993). In 1990, exports accounted for over seven million jobs in the United States, with almost one of every six jobs either directly or indirectly supported by export

sales (Business America, 1993). Historically, these export sales have been dominated by large companies, often multinationals. The Department of Commerce estimated that in the 1980's only 1% of U.S. manufacturing firms accounted for 80% of U.S. manufactured exports (Ali and Swiercz, 1991). As recently as 1992, two thirds of U.S. merchandise exports were by American owned multinational corporations, with over one third of these sales occurring between the parent and foreign affiliate (Business America, 1993).

Companies in the Southern plains region of the United States have a long history of exporting, and are in many ways representative of firms across the U.S. In 1990, Oklahoma, Kansas, and Missouri exported a sum of $6.889 billion worth of manufactured goods, which accounted for 2.2% of all U.S. exports (Statistical Abstract, 1991). Agriculture represents a significant portion of that figure, ranking in the top five export industries in all three states. Like the national trend, the few very large firms in this tri-state region have a greater tendency to export than their smaller counterparts. But because of the vast number of small producers in various industries, they provide the most potential for growth in international sales (Hall and Tuncel, 1990).

Exporting and Agriculture

Agriculture is no exception to these international pressures. It has long been the position of the American agriculture industry to produce and export food and feed to profitably exploit a relative abundance of capital and labor. Exports of agricultural commodities amounted to over $40 billion in 1989, which is approximately 11% of the total U.S. export sales for that year, up 34% from 1986 (Statistical Abstract, 1991). Yet many of these agricultural products are in bulk form or are unprocessed when they leave American ports. Compared with most European countries, a much higher proportion of U.S. exports are bulk commodities, wheat, cotton, corn and soybeans for example, than high value farm products such as processed feeds, flour, bread, and 'ready to eat' items (Tweeten, 1992).

The dependence on bulk commodity exports has made agricultural producers especially susceptible to price and income instability because sales volume and revenues are more volatile. When almost all U.S. exports dropped sharply in the mid 1980's due to the strong dollar and a substantial increase in foreign production, bulk commodity exports suffered a sizable decrease while value added exports showed relatively little decline (Lee, Henneberry,

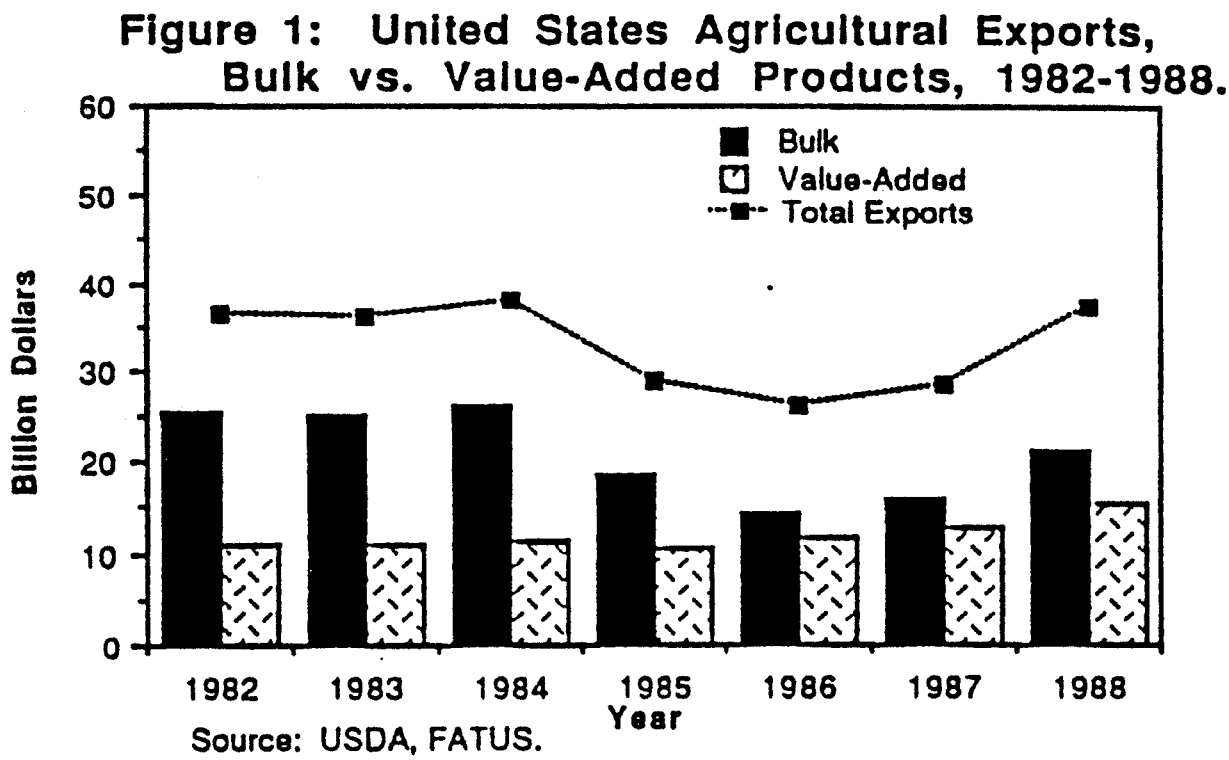
and Pyles, 1990). Revenues from value added exports have increased since 1985, but not as rapidly as bulk sales have recovered. These events are illustrated in Figure 1. The swing in revenues from unprocessed farm products directly impacts farm incomes and the local economies in which those farm incomes are spent. In addition, companies that export or are otherwise directly exposed to international forces often face a different set of problems than purely domestic firms, including diverging marketing variables, cost structures, and financing decisions (Madsen, 1988).

Export Promotion Policies

To combat these problems, and to help strengthen and stabilize individual businesses and their local economies, various government and private agencies encourage exporting by food processors and farm producers. Through assistance programs which include market information, financing and insurance incentives, and other trade catalysts such as shows and seminars, policy makers attempt to increase the number of firms involved in exporting, and therefore increase the volume of foreign sales (Gottko and McMahon, 1989). For this reason, the dynamics of the export decision and the differences between exporting and non-exporting companies is of particular interest to many

Figure 1

United States Agricultural Exports
Bulk versus Value Added Products,
1982-1988.



Source: Jung-He Lee, David M. Henneberry, and David Pyles. "Value-Added Agricultural Exports: An Overview for Oklahoma and the United States" *Current Farm Economics*, Vol. 63, March 1990, p.3.

policy makers, and to decision makers within individual firms that are considering entering the international marketplace.

The focus of this study is to identify the characteristics of exporting and non-exporting firms in Kansas, Missouri and Oklahoma, along with the obstacles and attitudes related to international business and export promotion policies. While it is beyond the scope of this research to measure the effectiveness of export promotion policies, the responses from both exporters and non-exporters may provide insight about the general direction in which future export policies should go.

CHAPTER II

LITERATURE REVIEW

The main focus of this chapter is to identify and explore the steps involved in the export decision process, the motivations for positive and negative export decisions, and the implications for state and federal export programs, as set forth in the literature on this topic.

The Dynamics of the Export Decision

The first issue to be addressed is the process through which firms decide whether or not to export. To explore this question, we must begin with the assumption that all firms, when they start, are non-exporters, and only exploit local markets. This is supported by Burenstam-Linder's basic proposition (Weidersham-Paul, Olson and Welch, 1978). From this point, internationalization is a process that some firms pursue while others do not.

Bilkey and Tesar suggest that export development tends to occur in the following distinct stages:

Stage One. Management is not interested in exporting, and would not even fill an unsolicited order.

Stage Two. Management would fill an unsolicited order, but makes no effort to explore the feasibility of exporting.

Stage Three. Management actively explores the feasibility of exporting.

Stage Four. The firm exports on an experimental basis to some psychologically close country.

Stage Five. The firm is an experienced exporter to that country and adjusts exports to optimize changing exchange rates, tariffs, etc.

Stage Six. Management explores the feasibility of exporting to other countries that are psychologically further away.

Stage Seven. Management explores the feasibility of moving production facilities to the countries in which they currently export.

While not all firms will progress through all of the above stages, generally the stages that do occur will proceed in this order. Stage four refers to a 'psychologically close' country, which indicates that the home and foreign countries are similar in language, culture, education,

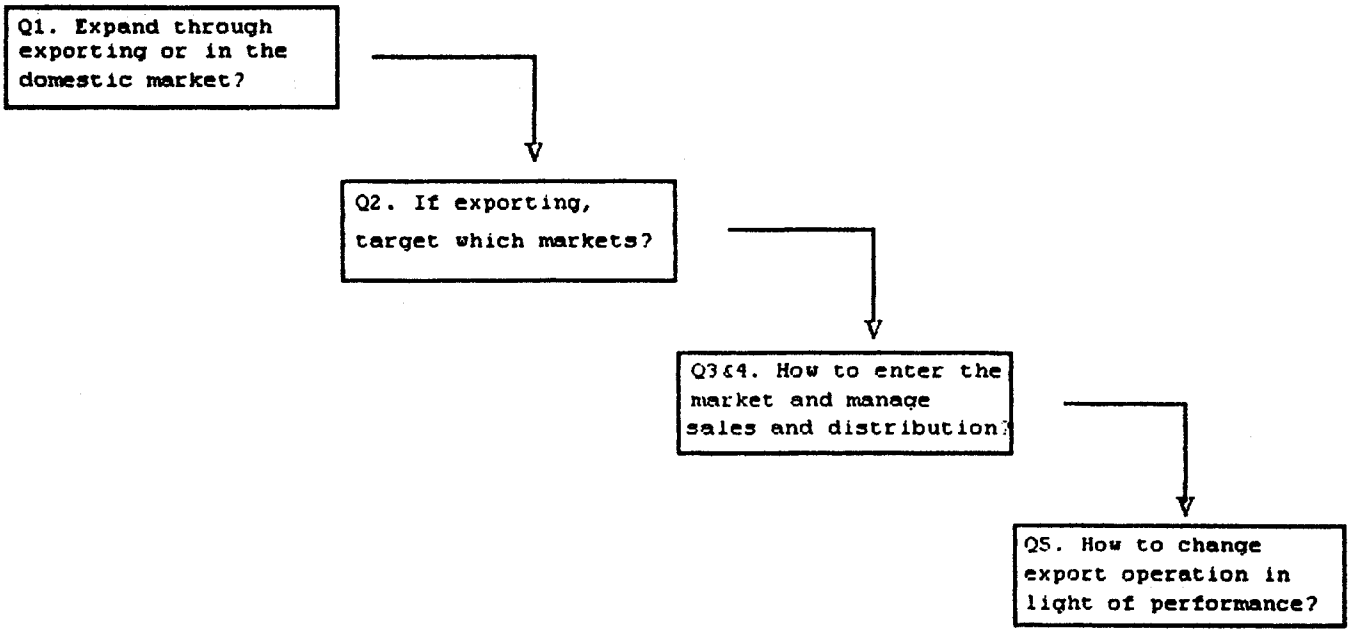
business practices, and industrial development, although not necessarily geographically (Bilkey and Tesar, 1977; Johanson and Vahlne, 1977). Examples of psychologically close countries would be the United States and Great Britain or the United States and Australia.

Seringhaus and Rosson also subscribe to the idea that international sales require a decision process rather than a single decision, but they describe a slightly different and more specific set of issues. Figure 2 details the steps put forward in Government Export Promotion, stating that companies would normally follow this sequence of questions:

1. Whether to expand their operations through exporting or domestic market expansion?
2. If through exporting, which market(s) should be entered?
3. How the selected markets should be entered?
4. How distribution, selling, and other operations should be managed?
5. Whether and how operations should be changed in light of company performance in the export market in question?

Figure 2

The Export Decision Process



Source: Adapted from S.D. Reid and P.J. Rosson, "Managing export entry and expansion: an overview', in P.J. Rosson and S.D. Reid (eds) *Managing Export Entry and Expansion:Concepts and Practices*, New York, Praeger, 1987, p.6.

Both internal and external factors, as well as firm characteristics, influence each of these steps in the decision process.

External Decision Agents

There are several external agents that impact the export decision, including local chambers of commerce, industrial associations, governmental agencies, and other firms (Bilkey, 1978). Other firms are by far the most influential, through buy-outs or controlling shareholders who pressure firms to export, export agents or consultants, entry of competition in domestic markets, and especially unsolicited orders from foreign firms. In fact, nearly 67% of first foreign sales result from unsolicited orders from abroad (Bilkey, 1978; Simpson and Kujawa, 1974). This has important implications on the export promotion efforts of state and federal agencies, which will be discussed later in this chapter.

Internal Decision Agents

Some of the internal factors that influence the export decision process are the attitudes of top management, the position of the primary product in its life cycle, the desire to increase long term profits and growth, and

production capacity in excess of domestic demand (Simpson and Kujawa, 1974). Of these, the attitudes and experiences of decision makers in top management are generally held to be the most important (Bilkey, 1978; Simpson and Kujawa, 1974; Seringhaus, 1992; Johanson and Vahlne, 1977; Ali and Swiercz, 1991). Members of top management that have studied a foreign language, traveled or lived overseas, and consider themselves long term planners or are willing to accept higher levels of risk are more likely to have a positive attitude toward international business dealings (Bilkey, 1978; Wiedersheim-Paul, Olson, and Welch, 1978). On the other hand, managers with little or no international experience are less likely to export, or to even fill unsolicited orders from abroad. In fact, non-exporters and exporters with similar firm characteristics are often exposed to comparable external stimuli and opportunities for international sales, yet reach different export decisions (Simpson and Kujawa, 1974). This clearly demonstrates the importance of management's attitude in the decision process.

Firm Characteristics as Decision Agents

There are also firm characteristics that have an impact on the export decision process, such as firm size, product line, corporate goals, and the history and environment of the company (Wiedersheim-Paul, Olson and Welch, 1974; Ali and Swiercz, 1991). In the past, small firms have suffered from the 'isolation effect': they are less likely to export than large firms for several reasons. Managers in smaller firms are often less interested, possibly because of a narrower range of experiences. They are also less likely to benefit from economies of scale, and therefore have no excess capacity to channel to foreign markets (Ali and Swiercz, 1991).

The nature of the product line itself also prejudices the export decision. This is especially true of agricultural products. Because of the perishable nature of many food products, food processors are less likely to export their foods than manufacturers in other industries (Tweeten, 1992). The goals of the company, profit maximization verses risk minimization or income stability for example, is also an important factor (Wiedersheim-Paul, Olson, and Welch, 1978).

Positive Export Decisions

As firms progress through the stages of the export decision, many choose to export due to some combination of internal and external influences. This is considered a positive or affirmative export decision (Simpson and Kujawa, 1974). However, a large number of these positive decisions are passive or reactive, with little international progression to follow. As stated previously in this chapter, two thirds of first export sales are the result of unsolicited orders from foreign customers. While this is still a positive export decision, since they do choose to accept the offer, it is a passive response to exporting, or a reaction rather than an action. Many firms merely take advantage of orders or export opportunities that happen to come their way, with no clear objective in mind (Bilkey, 1978). They never, or at least very slowly, move from Stage Two to Stage Three in the export process.

Other firms deliberately seek export markets, whether or not their export decision began with an unsolicited order. For most of these firms, the objective is not short term profits, but rather longer term goals such as growth, long term market share, or lengthening of their primary product life cycle (Bilkey, 1978; Gottko and McMahon, 1989). These active exporters are in the best position to

gain from government export promotion services, and it is therefore this group of producers that federal and state programs should target.

Negative Export Decision

There are three main reasons that some firms choose not to export: (1) motivational barriers, (2) informational barriers, and (3) technical and resource based barriers (Seringhaus and Rosson, 1988).

Motivational Barriers

Non-exporters typically view exporting as more time consuming, costly and risky than doing business at home, therefore they expect it to be less profitable for their operation. They therefore have no motivation to export (Seringhaus and Rosson, 1988; Wiedersheim-Paul, Olson, and Welch, 1978; Gottko and McMahon, 1989). This, to a smaller degree, is the view of some companies that do export. The fact that they continue to export despite these difficulties indicates that foreign markets can provide higher returns to offset the increased costs and risk. Many non-exporting firms also feel that domestic demand is sufficient for their current production, and consequently

see no need to explore other markets (Overman and Tweeten, 1993).

Information Barriers

A lack of market information is another major barrier to export markets. The unavailability or high cost of market information is particularly difficult for small businesses to overcome, because they do not have a broad operational base over which to spread the investment in market research (Seringhaus and Rosson, 1988). Providing information on market variables is one area in which policy makers often concentrate the efforts of export promotion programs. The dissemination of market information not only helps individual firms, but improves the pricing efficiency of global markets.

Resource Barriers

Even firms that are highly motivated and have adequate market information frequently lack the resources necessary to penetrate foreign markets. Success in foreign markets requires a sizable investment of time as well as money, to develop knowledge and experience, to travel and transport goods, to make and maintain contacts, and so on. Again,

this barrier is especially difficult for small operations to overcome, but is one of the major thrusts of many export encouraging policies.

Export Promotion Programs

This chapter has briefly touched on the numerous programs that are available from state and federal agencies. States may benefit from export activities through increased employment and economic development that directly and indirectly creates increased revenues, hence most states employ an active strategy to improve their competitiveness in the international marketplace (Lage, 1988). Kansas, Missouri, and Oklahoma are not exceptions to this trend. All three states offer services including market information, trade leads, foreign trade shows and seminars, etc. These services are provided through the Kansas District Export Council, International Trade Institute, the Kansas Department of Economic Development and other public and private agencies for manufacturers in Kansas. In Oklahoma, the Oklahoma State Chamber of Commerce, Tulsa World Trade Association, Oklahoma State Departments of Commerce and Agriculture, and the Center for International Trade Development are just a few of the organizations that assist with exporting. Missouri also

has its own groups that encourage exporting, including the International Marketing Division of the Missouri Department of Agriculture, the Missouri Department of Commerce, and the International Trade Club of Greater Kansas City. The U.S. Department of Commerce also has offices in each of these states and, along with these and other relevant groups, provides a variety of services for companies involved with or interested in exporting their products. (Business America, 1985; Cavusgil and Czinkota, 1990).

While it is outside the scope of this paper to detail the services available or to analyze their effectiveness, there are three broad areas of concern. The first is the simple fact that these services exist, to some degree, in every state. Every domestic manufacturer, large or small, has access to information, counseling, and financing to assist them in exporting.

The second point worthy of note is that these services are specifically designed to combat the barriers that were previously mentioned in this chapter. While there is no program to fight a lack of motivation to export, there are specific treatments for the lack of information and resources that plague many businesses, especially the smaller ones, that are actively interested in exporting.

Finally, these programs can do little to help passive exporters. Many exporters receive their first international sales from unsolicited orders, which are not directly influenced by these programs. If tax revenues are spent on turning non-exporters into exporters, rather than on helping companies already involved in foreign sales, these programs may not be allocating their resources as efficiently as they could.

CHAPTER III

THEORY

According to the Hechscher-Ohlin Theorem of international economics, countries will export goods whose production is relatively intense in the factors with which it is relatively well endowed (Husted and Melvin, 1990). It has long been the position of the United States to produce and export bulk agricultural commodities in order to take advantage of an abundance of land and capital. Other products, both agricultural and otherwise, that require relatively large amounts of labor are often imported into the United States to either supplement or replace domestic production.

For both macroeconomic and microeconomic reasons, exporting can be financially attractive. Firms and the economy benefit by a greater degree when they sell processed goods to foreign customers. The practice of exporting bulk rather than high value goods can be expensive, both in terms of dollars and development.

Macroeconomic Benefits of Exporting

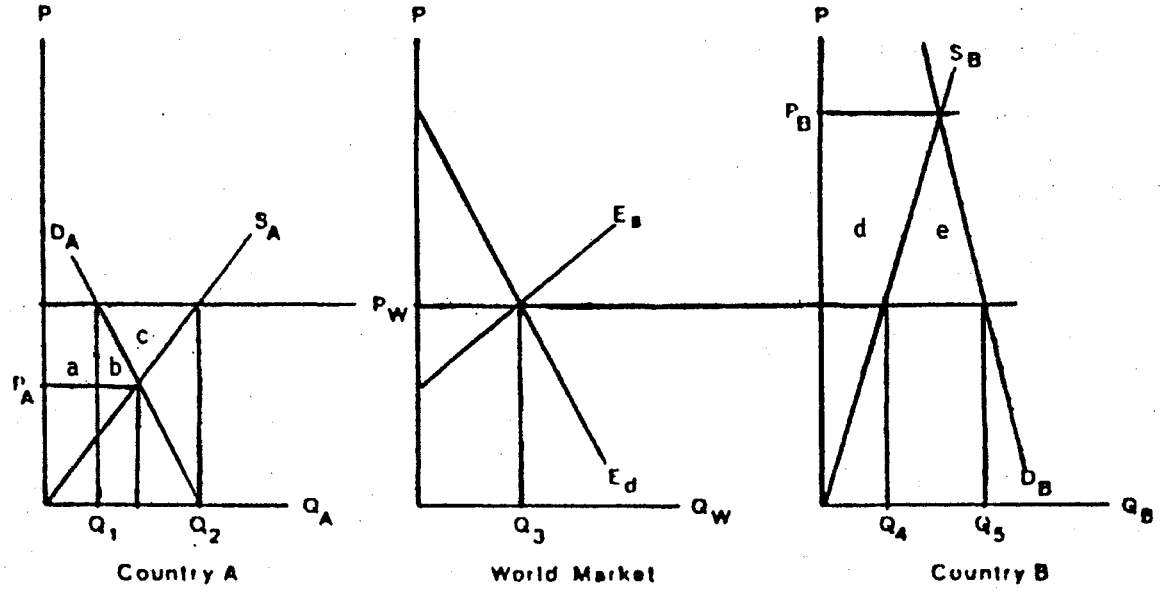
Neoclassical economic theory emphasizes that, when trade occurs, both importing and exporting nations experience an increase in welfare. A very simplistic view is displayed graphically in Figure 3, a two country, one commodity, free trade comparative model.

Panel A, at the left, shows the supply and demand functions in Country A, the exporter, while the supply and demand for the good in Country B are displayed in Panel B, at the right. The center panel shows the international market for the commodity, in which the excess supply from the exporting country (the supply curve above the domestic autarky price, Pa) and the excess demand from the importing country (the demand curve below the domestic autarky price, Pb) determine the world price of the good. The quantity traded can be seen in either of the three panels, as the quantity between domestic supply and demand at the world price in Country A or B, or the equilibrium quantity in the world market panel.

Using welfare analysis, Figure 3 illustrates that both Country A and Country B gain from trade. In Country A, consumers lose area a+b, due to the increase from the domestic to the world price. Producers gain area a+b+c from the price increase, with a net gain of area c for the

Figure 3

Macroeconomic Benefits from Exporting



Two-country, one-commodity model of international trade

Source: McCalla, Alex F. and Timothy E. Josling. Agricultural Policies and World Markets. McMillan Publishing, New York, 1985, p.37.

nation. In Country B, producers lose area d because of the price decrease, while consumers gain area d+e. The net welfare gain in Country B is area e.

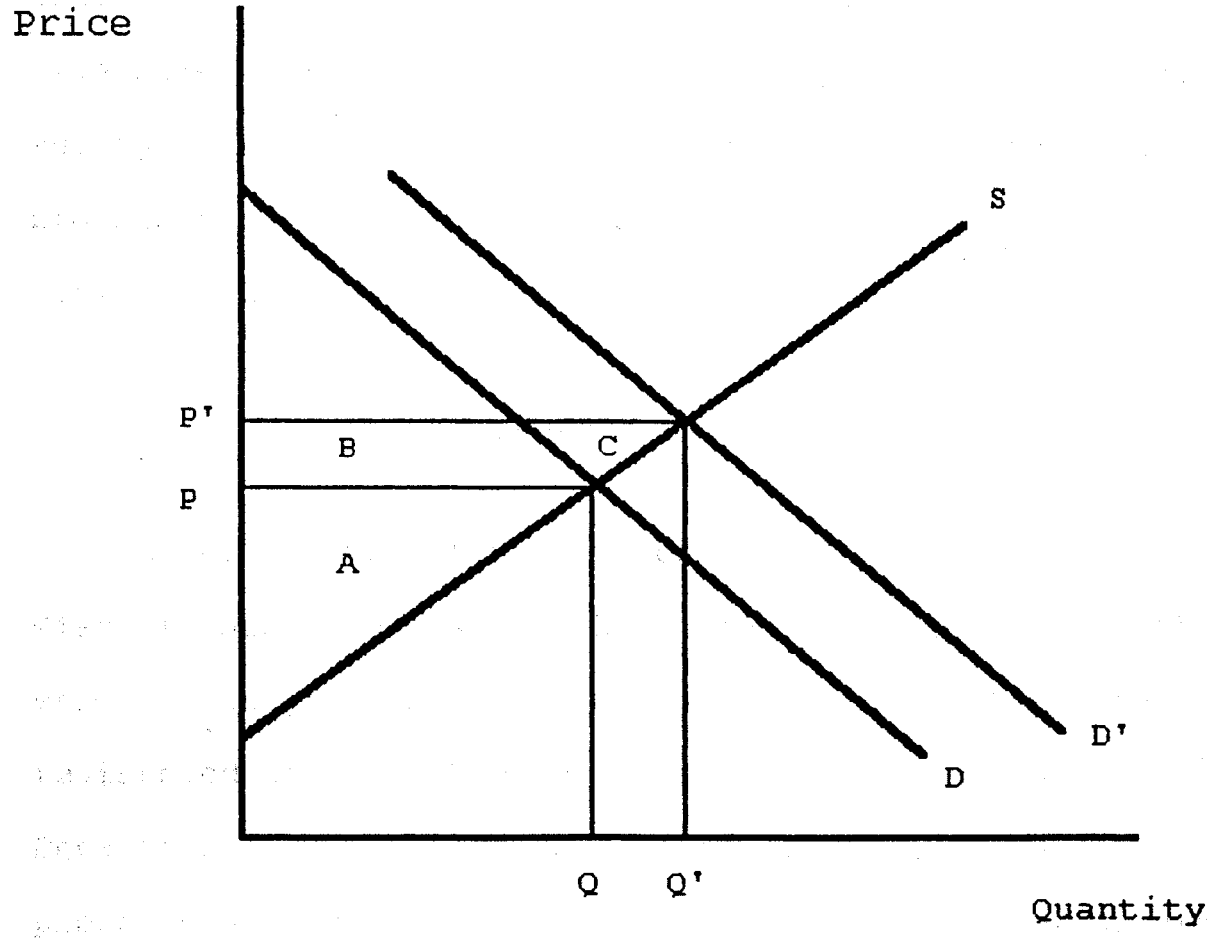
These benefits are possible because of the differences in domestic prices in Countries A an B, which directly result from a relative abundance of the factors necessary to produce the commodity in Country A. Comparative advantage is the basis for the Heckscher-Ohlin (HO) model. But given all of the assumptions of the HO theorem, free international trade will lead to equal international prices for the factors of production as well as the product itself. This, according to the Stolper-Samuelson Theorem, will further depreciate the value of the relatively scarce factors in both countries (Husted and Melvin, 1990). In the United States, that scarce factor is labor. Export subsidies or other price distorting policies that encourage the use of labor will decrease the net benefits of trade to the United States and to other countries, but will distribute those benefits to the scarce as well as the abundant resources, which may be desirable.

Microeconomic Benefits of Exporting

Just as the nation in general benefits from exporting, so the individual exporting firm benefits from international sales of both bulk and high-value goods. Figure 4 shows the supply and demand curves (S and D) facing the individual firm, and the equilibrium price and quantity (P and Q). The producer surplus under this scenario is area A. But when the firm expands its customer base to include foreign buyers, the demand curve facing the firm shifts to the right, to D', and the equilibrium price and quantity produced also increase, to P' and Q'. This demand shift has the direct impact of both increasing producer surplus, from area A to area A+B+C, and increasing revenue from P*Q to P'*Q'. Because processed goods have a more price elastic demand function, this effect is enhanced when the commodity is a high value good rather than a bulk commodity.

Figure 4

Macroeconomic Benefits from Exporting



CHAPTER IV

DATA AND METHODOLOGY

The primary objective of this study was to identify the characteristics of exporting and non-exporting firms, and the obstacles and attitudes related to the development of export sales. This chapter describes the survey instrument that was developed to study these food processing firms, and reviews the techniques used to evaluate the responses.

Survey Design

A mail survey of food processing firms in Kansas, Missouri and Oklahoma was the Primary data source for this study. The group studied included all firms that were registered with the Kansas, Missouri, or Oklahoma Departments of Agriculture as food or agricultural processors. This specifically excluded primary producers of bulk commodities, wheat farmers for example, but included producers of high value products that may not have been value-added, such as honey producers. While it is

reasonable to assume that not all firms involved in food processing are registered with their respective state Departments of Agriculture, the firms surveyed are representative of the industry as a whole in this area in terms of size, location, production and marketing activities.

A total of 1,263 surveys were mailed, with 360 in Kansas, 654 in Missouri, and 249 in Oklahoma. There was no prior contact with any of the firms, and have been no reminders or follow-up contact since the original mailing. The aggregate response was 267 returned surveys (a 21% response rate), with 89 from Kansas (24.7%), 113 from Missouri (17.3%), and 65 from Oklahoma (26.1%). There was no attempt to identify individual firms, only the state in which each responding firm is located. Of those respondents, 220 (82.4%) are non-exporting firms, with the remaining 47 (17.6%) indicating they either currently export or have exported in the past.

Two different survey forms were sent to each company, along with a letter (Appendix A) indicating the purpose for the research. The letter explained that one enclosed form was for exporters and one for non-exporting operations. The forms were also color-coded to help differentiate the one intended for exporters (Appendix B) and the one for

non-exporters (Appendix C), and there was a notation on the front of each for identification. A postage paid return envelope was included.

The Survey Questions

Each survey form was one page in length, but contained questions on both the front and back sides. The front of each questionnaire contained identical questions for the purpose of comparing the two groups. The reverse side of each was specialized for exporters and non-exporters respectively, for isolated breakdown within each group. Some questions asked for a single response, while others allowed for multiple or ranked responses. This format allowed for both general analysis and specific cross tabulations. The length of the survey and the selection of the question formats were designed to maximize the response rate, since budgetary resources limited prior or follow-up contact.

Introductory Questions

The first thirteen questions were the same for exporters and non exporters. The first few dealt primarily with demographic variables such as the number of employees, the types of products the firm produces, the population of

the town or city in which the firm was located, etc. The other questions common to exporters and non-exporters looked at specific marketing and production characteristics, and the attitude of the companies toward risk and the future.

The survey was designed to compare the responses from exporters with those from non-exporters for two primary reasons. First, in order to examine the dynamics of the decision to export, it is important to compare the similarities and differences between exporter and non-exporter firm characteristics, and the internal and external agents that influence their decisions. Directly matching responses from these two groups makes this possible.

A second reason direct comparison is desirable is because export promotion policies seek both to improve the export position of firms that are currently exporting and to encourage non-exporting firms to begin. Therefore, policy makers need the opinions and attitudes of both exporters and non-exporters on several issues. This may help them better focus their services to meet the needs of their target firms.

Exporter Questions

The reverse side of the form for exporting firms had questions to define the obstacles these firms face in international markets, and the techniques these firms use to overcome these impediments. It also asks that firms identify the most important foreign markets to their operations and their motivations to exporting. These responses can also be compared with responses from the non-exporting group. Responses to questions concerning trade show attendance and the catalyst for first export sales can also be very helpful to export promotion groups.

Non-Exporter Questions

The group specific questions targeted at non-exporters ask about their future plans for exporting, and the previous level of international experience of their managers. It highlights the problems that purely domestic firms assume will be involved in trade, and the government programs they presume will be the most helpful. Comparing these expectations with the experiences of firms that export should provide valuable information to policy makers, and the firms themselves. The firms are also asked about their familiarity with the export enhancement

programs that are currently available, another issue of concern for policy makers.

Methods of Analysis

The returned survey forms were numerically coded for computer analysis, and entered into SAS, a statistical software package. This made it possible to group responses together across respondents, make cross tabulations, and analyze the data as appropriate. Frequency tables (Appendix D) were then generated for each variable, showing the total response rate for each question by each group, exporters and non exporters. Several variables were also combined to create cross tabulated response data. The resulting tables show that many differences between exporters and non-exporters have noticeable practical significance. Statistical significance was not tested due to differences in population sizes and the limited benefit such testing would have had on the results. Discussion of these frequency and cross tables constitute the bulk of the following section on research results.

CHAPTER V

EMPIRICAL RESULTS

The results of this study can be divided into three general categories. The first deals with the differences between the characteristics of exporting and non-exporting firms. The second details the attitude presented by exporting firms, and the specific obstacles involved with international marketing and the techniques firms employ to deal with those challenges. Finally, the attitudes and perceived obstacles of non-exporting firms toward international marketing are analyzed. The tables referred to in this chapter can be found in Appendix D.

Firm Characteristics

The most basic information revealed by the survey response involves the ratio of exporters to non-exporters. Table 1 (Appendix D) shows that only 17.6% of the total number of returned forms were from firms involved with international sales, while 82.4% of the respondents indicated that they had never exported their product. The

proportion of exporters also varied from state to state, with 26.5% of the food processors from Missouri classified as exporters, while only 12.4 % of Kansas firms and 9.2% of those from Oklahoma were so classified. This proportion of exporters to non-exporters roughly correspond with studies from other states and the United States as a whole (Overman and Tweeten, 1993). Wide differences could be attributed to different areas of production specialization within states, various trade restrictions or promotion programs, the degree to which foreign direct investment replaces exports, access to transportation (rail or water, for example), or a myriad of other variables.

The survey responses also show that there are significant differences between the demographic characteristics of firms that export and those that do not. These differences can be seen in the size of the firm itself, the age of the primary product, and the size of the metropolitan area in which they are located. These statistics are provided in Table 2 (Appendix D).

One measure of the size of a company is the number of full time employees they maintain. Table 2 shows that, by this measure of size, most (78.7%) of the all of the responding food processing firms in the three state region are very small, employing fewer than 50 people on a full

time basis. But when exporters are analyzed separately from non-exporters, it is clear that non-exporters are more heavily concentrated as smaller operations, while exporters are more distributed over the range of sizes. Because previous studies showed larger firms to be more heavily involved in exporting, this result was expected.

It is also important to note that exporters are also heavily concentrated toward the smaller size range, with more than one third of the respondents in the smallest category. This indicates that, while the median size of exporting firms tends to be larger than that of non-exporting firms, as was the case for Gottko and McMahon, very small firms need not be excluded from international marketing activities.

The age of the primary product is also a characteristic of interest between exporting companies and non-exporters. Table 2 shows that most of the food products sold by the responding companies have been on the market for more than five years, 72.7% of the total. This is true for both exporters and non-exporters. However, there is a higher percentage of exporting firms with a primary product more than five years old, while the age of primary products from non-exporting operations is more distributed over the shorter time range. This supports the

theory presented by Warren J. Bilkey and George Tesar that the export development of firms tends to proceed in stages, often with a significant time lag between product development and active exploration of international markets (Bilkey and Tesar, 1977).

There is not a noticeable diverging trend regarding the metropolitan area in which these firms are located, as seen in Table 2. Many exporting firms are located in small towns, just as many non-exporting firms are. Many exporters are in big cities, also like many non-exporters. The size of the town does not seem to be an important factor to the export decision. Likewise, the proximity of firms to large metropolitan areas does not seem to greatly influence the export decision.

Other marketing and production characteristics are in Table 3 (Appendix D). Because companies often seek international markets to utilize excess capacity (Simpson and Kujawa, 1974), it is interesting to find that both exporters and non-exporters are producing well below the limits of their production facilities.

Non-exporting food processors have a significant amount of extra production capacity, with 18.4% able to more than double their rate of production. There is also a significant amount of excess capacity in exporting firms,

but their median response is not nearly as high as that for non-exporters. Many of these exporters have taken advantage of their ability to increase output in their existing facilities by selling more of their product overseas, and that has apparently decreased the rate of excess capacity in the group.

There is little disparity in the marketing expenditures of exporters and non-exporting firms. Table 3 shows that a very large proportion of all food processing firms spend less than 10% of their gross income in marketing activities. Logic would imply that foreign market development and on-going marketing expenses would require higher expenditures for exporters of food products, particularly processed foods that depend upon product differentiation for sales and often require special storage considerations. This does not, however, seem to be the case for exporters of value-added food products in Kansas, Missouri, and Oklahoma. The data shows the opposite to be true, that non-exporters have a slightly higher median expenditure for marketing activities.

A thorough look at marketing outlays requires a more general analysis of the markets themselves. Table 4 in Appendix D shows the most and least important markets for exporters and non-exporters.

As expected, operations involved with international sales consider local and regional markets less important than purely domestic firms do. Companies that do not export their product find, by a wide margin, that their local area is the most important for their output. On the other hand, most of the exporters (53.2%) consider the United States as a whole their most important market. International markets do rank as most important for a few companies, but it is meaningful that exporting firms in aggregate still depend very heavily on domestic sales.

The least important markets, also shown in Table 4, are also different for exporters and non-exporters as groups. As expected, non-exporting firms do not find international sales very important. Almost 95% of the respondents in this group indicated that other countries are their least important market area. On the other hand, almost half of the exporters (46.2%) indicated that sales in their local area are the least significant. The data in Table 4 stresses once again that most exporting firms are primarily domestic in their sales (although not necessarily in their local markets), with international markets as a secondary concern. This is also consistent with export development theory presented by Bilkey and Tesar, which was outlined in the literature review of Chapter II.

One final direct comparison between exporters and non-exporters is their attitude toward risk. Table 5 (Appendix D) shows that, of the exporters that responded to this question, 65.9% indicated that they considered themselves (or their firm) risk averse. This is lower, but not by a wide margin, than the 74.3% of non-exporters who considered themselves risk averse. The other category includes respondents that indicated that neither 'risk averse' nor 'risk takers' described them accurately. This attitude toward risk, and how it effects the export decision, is further discussed in the following sections.

It is appropriate at this time to emphasize that true risk lovers are inconsistent with microeconomic theory. Many firms will accept more risk in exchange for higher returns, making them less risk averse than other firms. But because they demand compensation for greater degrees of risk, these risk takers yet still considered risk averse.

Exporter Responses

This section details the survey responses from exporting firms in the food processing industries of Kansas, Missouri and Oklahoma. Their attitudes toward risk and the future, the major obstacles involved with

exporting, and the marketing techniques they use to deal with these obstacles are emphasized.

Exporter Attitudes

As previously mentioned, most exporters consider themselves risk averse. Table 6 (Appendix D) further illustrates the attitudes of food processing firms from this area that export. In general, 70.3% report that they are optimistic about the future of their product, and 72.4% optimistic about their company's subsequent business opportunities. A much smaller margin, only 17.0% of the respondents, indicated that they were optimistic about the economy in general. In contrast, no firms were pessimistic about either the product or the company, although almost one in five indicated that they were pessimistic about the future of the economy. This is not surprising, considering the recession and slow economic recovery of the past few years.

When viewed together, the attitudes toward risk and toward the future of these exporting food processing firms paint an interesting picture. The risk averse and 'other' producers view the company and product in identical proportions in terms of optimism or guarded optimism. This is not true for risk takers. As a group, they have a more

positive outlook toward their company than their products, as a higher proportion of the responses were optimistic in the company group.

Risk takers, in general, are also less positive about the future of the economy. Of all the respondents, 8.5 percent indicated that they were risk takers and pessimistic about the economy. This amounts to almost one third of the risk taker group. Risk averse firms that have a negative economic outlook are higher in number, at 10.6% of the total respondents, but these firms only represent 16% of the risk averse group. Therefore, a higher proportion of the risk takers are pessimistic about the economy. The 'other' firms indicated unanimously that they viewed the economy with guarded optimism.

Attitude toward risk among food processing firms is also displayed differently across firm characteristics. Table 7 in Appendix D shows the size and location of exporting firms in Kansas, Missouri and Oklahoma and their respective attitudes toward risk. The first set of data shows that risk averse managers are mostly from firms that are small in terms of full time employees, while firms with risk taking and 'other' managers are more distributed over the range of sizes.

As for the size of the town or city in which these firms are located, the figures in Table 7 reveals a polar distribution of the risk averse population, with concentrations in the very small towns and the very large cities. The risk taking firms on the other hand show a more normal distribution, with the largest percentage in the mid-sized towns and a smaller proportion in the very large or small ones.

The primary reasons firms choose to enter the export market is a major focus of this paper, so it is appropriate that export goals and attitude toward risk be analyzed together. Table 8 in Appendix D summarizes the reasons firms gave for exporting. Because respondents were encouraged to indicate all appropriate answers, the column total exceeds 100%.

One of the underlying postulates of neo-classical economic theory is that firms seek to maximize profits (Lunn, Browning and Browning, 1989). According to the survey responses from exporting firms, increasing profits is only one of several motivations for exporting. While increasing profits was a goal of nearly three of every four responding firms (72.3%), increasing sales is an equally important motivating factor for entering foreign markets. Other justifications include gaining long term market

share, utilizing excess production capacity, and other goals.

When these goals are viewed in conjunction with risk preference, as in Table 9 in Appendix D, we can see that there is little difference between the risk averse group, the risk taking group, and the 'others' with respect to their motivations for exporting. The proportion of firms indicating that they export for profit and sales reasons are equal for all three groups. The other objectives (utilizing excess capacity, establishing market share, and other) are secondary in all three groups. Regardless of their degree of risk aversion, firms export with the same end in mind: increased sales and profits.

A slight difference can be seen, however, when analyzing the reasons firms of different sizes export. Table 10 in Appendix D shows that, while small and large firms have the same general motivations for entering foreign markets, a higher proportion of the smallest firms are concerned with profits, while very large firms show practically no goal preference. Also note that a slightly higher number of smaller firms indicate that increased sales are paramount, while more of the larger firms stress increased profits.

Another aspect of exporter attitudes that is discussed in this section is the importance of market areas. As seen in Table 4, exporters consider domestic markets their most important, but rely on national rather than local or regional distribution. But because exporters by definition also participate in foreign markets, the most important export market areas are of particular interest. These can be found in Table 11 (Appendix D).

By a margin of two to one, Mexico leads Canada as the most important export market for food processing firms in Kansas, Oklahoma, and Missouri, followed by the United Kingdom and Asian countries. This is not completely in line with the export development schedule put forward by Bilkey and Tesar, since Mexico is not as 'psychologically' close to the United States as Canada, Great Britain, or Australia because of language and cultural differences. Nonetheless, the geographical proximity seems to more than overcome the language and social hurdles. This trend certainly has important implications in light of the recent North American Free Trade Agreement (NAFTA), which will liberalize trade policies between the U.S., Canada, and Mexico.

Obstacles to International Markets

There are many problems that arise when goods cross international borders. Some of these problems inherent with exporting are listed in Table 12 of Appendix D. The most significant obstacle for the respondents of this survey was the nature of the product itself. Most food products, particularly processed foods, are perishable. This presents certain problems not associated with the majority of manufactured goods. Special handling, transportation, and storage are often required, at a substantially higher cost. Many products face the added marketing difficulty of cultural uniqueness, which for American products indicates that per capita demand outside the United States is considerably lower due to local tastes and preferences. Whole turkeys and canned soup are two examples of products that are culturally unique for U.S. consumers, with little or no demand elsewhere. There are certainly other types of obstacles to exporting that stem from the nature of the product.

The next most common response was that these firms had difficulty developing the foreign markets for their products. Despite the fact that most state export promotion policies stress market development, including

those in Kansas, Missouri, and Oklahoma, 25% of those responding indicated that this is still a problem area.

Making contacts, conducting market research, telecommunications, and international travel are all costly but common aspects of international market development. Language and cultural differences, in addition to these associated costs, are predominant factors that continue to make market development difficult.

Exchange rates and financing issues received the fewest responses as a major obstacle to international trade, with only 17% of exporters indicating this was a problem area. This may be because selling firms demand payment in American dollars, and will often not accept foreign currency. The ability to transfer all transaction exposure (the risk involved with fluctuating exchange rates) to the buyer is a luxury generally reserved for the exporter, and is often not available to importers.

Exchange rate risk is an important facet of international business, especially for American companies that sell to buyers in Mexico. The devaluation of the peso against the dollar in the past two decades has been incredible. Where $1.00 was worth 12.5 pesos under the fixed exchange rates of the Bretton Woods system until 1972, it sharply depreciated over the 70's and 80's so that

the average exchange rate in 1989 was 3470.7 pesos per dollar (*International Financial Statistics*, 1975-1990). This devaluation trend has slowed greatly since Mexico gained Most Favored Nation status, so that the estimated decline is only 6.9% for 1993 (Wiles, 1993). Consistent devaluation means that producers receive fewer dollars for a constant number of pesos over time. Therefore, if the American food processors accepted transaction exposure, they would either have to consistently raise their prices (which is unpopular with the buyer) or accept a lower real return over time (which is unpopular with the seller).

Receiving payment for the goods they sell is another problem for many exporters that is listed in Table 12. Receiving payment may encompass more than the exchange of money, including such nuances as negotiating acceptable terms of payment, such as form of currency, timing of payments on credit, or other issues. Related obstacles might include trade barriers, both in tariff and non-tariff forms, differences in business practices, or even a lack of international knowledge or enthusiasm from management (Bilkey, 1978). The total percent column of Table 12 in Appendix D exceeds 100% due to multiple responses from some respondents.

International Marketing Tactics

The logic behind most export promotion programs is that specific targeted marketing strategies should be able to overcome obstacles to trade (Seringhaus, 1986). Governments do this through measures such as tax incentives, funding for technological innovation, financing and insuring ventures, and marketing assistance in the form of trade seminars and market information. Individual firms would ideally take a similar approach to internationalization. They identify obstacles, then specialize their marketing techniques to directly address those challenges. Government programs are only a small portion of the marketing and finance options available to most firms. Table 13 in Appendix D lists a variety of these techniques, and shows how widely each of these techniques are used by food processing firms in Kansas, Missouri, and Oklahoma.

More than half (55.3%) of the exporting respondents indicated that they participate in some form of government sponsored export program. For many, this may be as simple as attending a trade show. For others, assistance may include specific trade leads or customized market research. Regardless of the extent to which food processors use these programs, the responses in Table 13 indicate the far

reaching impact of federal and state funded export promotion programs.

Firm characteristics directly impact the use of these government programs, including trade shows. Table 14 in Appendix D shows that larger firms are more likely to attend trade shows, while almost half of the small firms that responded do not attend them at all. Firms that sell processed food products attend more trade shows than sellers of unprocessed or fresh food products, while respondents that are frozen product venders do not attend them at all. Finally, wholesalers are more inclined to participate in an international trade show or seminar than retailers, and non-family corporations will on the average attend more international trade shows than family operations.

Most of the other marketing strategies shown in Table 13 are purely at the discretion and expense of the company. The most common technique used, with the exception of the aggregate grouping of government programs, is the use of an export broker or consultant. Of the exporters surveyed, 57.4% currently use a broker, and 25.5% have used one in the past. Their opinions of the effectiveness of the consultant service varied, from very effective to not effective at all. With an export broker, managers with

little international knowledge or experience need not pass over opportunities to make international sales.

The service can appear rather costly, but Table 15 (Appendix D) shows that most (77.8%) of the exporters who currently use a consultant still spend less than 10% of their gross income in marketing activities. This is only slightly fewer than the 85.7% of those who have never used an export broker who spend less than one tenth in marketing. Interestingly, the exporters who have never used a broker are the only ones with respondents who spend more than one quarter of their income in marketing. They may well be paying a high price to act as their own export agent. The range of services available from most brokerages is fairly wide, which can make them a valuable resource to most exporting firms at one time or another.

The practice of customizing packaging, promotion materials, and the product itself for sale in foreign markets is also very common according to the survey responses in Table 13. This often includes changes in languages, brand names, images and logos, and sometimes even the package colors. These activities are normally thought to be costly, yet they are practiced by many companies that spend less than 10% of their gross income on marketing activities.

Tables 16, 17 and 18 from Appendix D show that firms may not be using marketing techniques that would specifically address their exporting problems. In Table 16, a cross tabulation shows that most of the firms that have a problem with market development spend a very small percentage of their gross income in marketing activities. It is not logical to think that they can overcome marketing obstacles without an investment in market development.

As the data in Table 12 indicates, exchange rates and financing obstacles are not major concerns for most of the processed food exporters in the three state area of this study. It was therefore expected that these firms would not hedge their currency exchange transactions. Hedging currency usually involves forward or futures contracts, options, or other financial market manipulations to reduce the risks associated with transaction exposure. These transactions can be costly to the firm, and often put an unwanted upward limit in addition to the desired downward limit on profits.

As discussed earlier, the consistent downward trend of the peso compared to the dollar would normally encourage more exporters to hedge their currency positions, since Mexico is the most important export market for many of these firms. The data from Table 17 shows that this does

not seem to be the case for the majority of the exporters surveyed, as only 4.2% indicated that they hedge their currency transactions. Likewise, most firms that have difficulties with exchange rates do not use forward contracts or any other hedging practices for their currency transactions to combat the problem. Only 12% of the group that indicated they hedge, compared to the 88% that find exchange rates a problem yet do not directly address the issue.

One reason exporters do not protect their currency exchanges, as mentioned before, may be their insistence upon payment in U.S. dollars. There may also be a lack of opportunity to effectively cover many positions. For example, there is not a futures contract available for Mexican pesos. Another reason may be partly due to the general downward trend of the dollar against most European currencies in the past few years, making some exporters seek gain from the appreciating foreign currencies.

Table 18 shows that most companies that consider Mexico their primary export market do not have bi-lingual staff in their marketing department. If language is one of the largest barriers to business with Mexican buyers, then it seems that sales staff with a good command of both English and Spanish would greatly facilitate market

development and individual corporate relations. This marketing strategy may not be prominent because of a lack of professionals in Kansas, Missouri, and Oklahoma who are trained in both business and foreign languages . Many area universities, Oklahoma State University for example, have no general foreign language requirement in the Colleges of Business or Agricultural Sciences and Natural Resources.

In addition to increasing the export activity of businesses already engaged in foreign marketing, most state export programs also strive to get non-exporting companies involved in international sales. Therefore the source of a firm's first export sale is of particular interest. Table 19 in Appendix D cross references the catalyst for first export sales with trade show participation, the presence of a separate international division, and the use of an export broker.

The first issue worthy of note is that not a single respondent indicated that their first export sale was the result of a local trade seminar. State and federal agencies spend alot of money to host these types of trade seminars for non-exporters. This effort seems to be an unproductive use of time and resources. State sponsored overseas shows have a greater impact than local seminars,

but still only 10.6% of first export sales can be traced back to this origin.

A second item worth mention is that, in support of Bilkey and others, more first exports came from unsolicited orders from abroad than from any other source. This is the kind of initial export origin that can not be planned or subsidized. Many of these firms (68.8%) who depended on unsolicited orders to vault them into international business either currently use an export broker or have used one in the past. The broker may be the actual source of the unsolicited order.

Non-Exporter Responses

To discover the dynamics of the export decision, the factors that influence firms to export, it is necessary to look at both the exporting and non-exporting firms in the study. The following section will analyze the attitudes of non-exporting food processing firms with regard to risk, future outlook, and reasons they do not export. The perceived obstacles to exporting, and the government export promotion programs they feel would be the most beneficial are also examined in this section.

Non-Exporter Attitudes

At the beginning of this chapter, the data and the discussion of Table 5 in Appendix D revealed that nearly three quarters (74.3%) of the non-exporting firms that responded to this survey considered themselves risk averse, while only 20.7% indicated they were risk takers. The remaining 5% responded that they found neither risk preference category to be appropriate for their firm. This information is repeated in Table 20, along with cross tabulations of the non-exporting respondents' outlook toward the future of their product, company, and the American economy.

Table 20 shows that a great majority (82.6%) of non-exporting firms view the future of their product with optimism, while 14.3% are guardedly optimistic about their product. Another 3.3% were pessimistic about the future of their primary product. A review of Table 6 shows that none of the exporters viewed the future of their product with pessimism, but that a smaller percentage were optimistic. Roughly 85% of the risk averse group are positive about the future of the product, which is the same proportion as those in the risk taker group. The 'other' group reported more firms with guarded optimism.

The future outlook with regards to the company yields similar results. Most firms report they are optimistic about their future, although less than about the future of the product. Again, somewhat equal proportions of risk averse and risk taking firms are optimistic, although a higher percentage of the risk takers are pessimistic than in the risk averse group. Overall, 4.2% of the non-exporting respondents indicated they were pessimistic about the future of the company, in contrast to none of the exporters described in Table 6.

Non-exporters seem to be more extreme in their outlook toward the economy than exporters. A higher percentage of non-exporters than exporters are optimistic about the future of the economy, 23.4% compared to 17.0%; but there is also a higher proportion of non-exporters than exporters who are pessimistic, 24.3% compared to 19.1%. Most of this group (52.3%) is guardedly optimistic about the future of the economy, for the reasons outlined in the previous section. These generalizations are true for all three risk preference groups.

Another facet of the attitudes held by non-exporters is their interest in entering the export marketplace, which can be seen in Table 21 in Appendix D. Of the non-exporting firms that responded to the survey, 60.2%

indicated that they have never considered exporting a possibility for their firm, or that they are not interested in exporting. One quarter of the respondents said that they had considered exporting in the past, but for some reason have only exploited domestic markets. Only 14.6% of the non-exporters surveyed indicated they are currently considering exporting.

Perceived Obstacles

In evaluating why some firms export while others do not, a primary concern is the reason non-exporters do not export. Table 22 in Appendix D shows the reasons the responders ranked first in the survey. The primary reason firms do not export, as shown in Table 22, is their concern about the perishable nature of their product. This consideration has merit, as it is also an overriding problem listed by firms that currently export. But for most products, the technical questions of storage, handling, and transportation are the easiest to overcome. Advances in technology, such as vacuum packaging of meat and more cost efficient refrigeration, may open export markets for firms who view perishability as their primary obstacle. On the other hand, if the cost structures of these companies make the increased expenses of these

storage and transportation procedures unattractive from a profit standpoint, exporting may never be an option.

Table 21 also shows that 28.9% of the firms reported that the reason they do not export is that they simply are not interested in international sales, making apathy the second most common obstacle for non-exporters. As many as 8.6% of these firms indicated that they had received an order from abroad that they decided not to fill. They may find that domestic markets are sufficient for their sales and profit objectives and for their current levels of production, that the increased risks involved with exporting are too large for the returns, or one of many other justifications. This lack of motivation on the part of management is the most difficult barrier to overcome for export promotion agencies. In all likelihood, only a change in management or a severe domestic market problem will ever motivate these firms to export.

Other concerns which are less prominent include the costs of developing overseas markets, concerns about exchange rates and payment, and issues inherent with the nature of the product itself. These are the same obstacles that were put forth by exporters in the previous section, but non-exporters view problems associated with market

development and receiving payment as a less vital issue than exporters do.

Table 23 in Appendix D illustrates that firms place higher emphasis on certain exporting obstacles according to their different attitudes toward risk. Risk averse processors are predominantly not interested in exporting, with the perishable nature of the product a secondary issue. Risk takers and 'other' producers are more concerned with the perishability of their products and the costs of developing foreign markets.

Desired Programs

Because export promotion policies for first time exporters are encouraged by the state agencies in Kansas, Missouri and Oklahoma as well as the federal government, the programs that non-exporters perceive as beneficial are of interest to policy makers. They also provide further insight as to the agents that may motivate them to make a positive export decision.

The most common response from non-exporters indicates that they want government programs to provide market information, according to the data seen in Table 24 in Appendix D. This is interesting for two reason. First, the costs of developing markets and concerns about

financing and such are the obstacles that market information programs are designed to address. The costs of market research can be a strain on many food processing operations. Yet these are secondary reasons for not exporting according to the data in Table 22. Secondly, market information is one of the chief products of many state export programs, indicating that these programs are in fact providing the most requested assistance.

Subsidized and unsubsidized trade shows were the next most requested programs of government agencies, with unsubsidized shows taking a slight lead. While it was somewhat unexpected for non-exporters to prefer the government to organize but not help pay for trade shows, since the cost of participating in these shows and seminars can be very costly, it seems to be a symptom of an anti-government (or perhaps anti-tax) feeling common in the respondents. Several returned surveys contained unsolicited responses indicating that the U.S. government is already too involved in business, and their funding export seminars with tax money was unappreciated. While this is certainly not the attitude of all of the survey respondents, it may have been the factor that ranked unsubsidized trade shows over subsidized ones. Other explanations may be the perceived quality of subsidized

trade shows versus unsubsidized ones, and the small level of input that firm managers expect to have in the content of the subsidized shows.

Other desired government export assistance includes trade leads, information on exchange rates, insurance, financing, and other programs. These are precisely the programs that are offered, but have not motivated these firms to export. This raises the question of whether or not the firms that do not export are aware of the programs available to them.

According to the survey responses shown in Table 25, more than half (53.9%) of the non-exporting firms that responded to the survey are not even aware of the programs that their state offers to assist food processing and manufacturing firms in their export efforts. Of particular interest is the fact that more than half of the firms that are currently considering exporting and nearly half of those who considered exporting in the past are not aware of the assistance available to them. In fact, only 15.0% are familiar with their state programs, and most of them are not interested in exporting. This indicates that, in addition to promoting exports, these agencies may need to promote export promotion.

CHAPTER VI

SUMMARY AND CONCLUSIONS

Because of the importance of exporting to both individual firms and the economies that they support, and because so many public and private resources are dedicated to promoting export activities from manufacturing firms in general (including food processing firms), there is a need to analyze the dynamics of the export decision and the different internal and external characteristics that influence the internationalization of the firm. To this end, this study surveyed over 1200 food processing firms in Kansas, Missouri, and Oklahoma, with a response rate of 21% overall. Of the respondents, 17.6% were exporters, while the remaining 82.4% were classified as non-exporters.

The purpose of this study was to identify the differences in attitude, firm characteristics, and foreign marketing interest between exporters and non-exporters. These differences were detailed in Chapter V, and are summarized in the following sections.

Comparison of Firm Characteristics

Many food processing firms in Oklahoma, Missouri and Kansas have chosen to increase their profits, sales, and market share, and to utilize their excess production capacity by exporting their food products to foreign markets. Larger firms have historically been the primary actors in export markets according to various studies, and this trend holds in the southern plains region involved in the survey. In general, exporting firms that responded to the survey tend to be larger than their non-exporting counterparts in terms of full time employees, although very small firms are still actively involved in international marketing. The primary products of exporting firms also tend to be more established than those of non-exporting companies, which is consistent with the export stages presented in earlier literature.

There is little discernible difference in the size of the metropolitan areas that are home to exporters and non-exporters. There does, however, seem to be less excess capacity among exporting firms than with non-exporters, indicating that exporters do effectively utilize and channel their extra production capacity.

There are also large differences in the emphasis placed on market areas. Exporters place little importance

in local markets, but do not rely heavily on foreign markets, either. These food processing firms see the United States as a whole as their paramount market area. Non-exporting firms, on the other hand, place the greatest amount of emphasis on local and regional customers.

Summary of Exporter Responses

The attitudes and international interests of exporting firms was also explored in this study. By a ratio of more than two to one, most exporting firms consider themselves averse to risk, and all indicated they have an optimistic outlook toward the future of their product and company. Most are guardedly optimistic about the future outlook of the economy in general. Small firms tend to be more risk averse than larger firms, and companies in smaller towns take fewer risks than those in bigger cities. Attitude toward risk does not, however, seem to be correlated with the reasons firms export.

Food processors in Kansas, Missouri and Oklahoma mostly export in order to increase profits and sales, although market share and excess capacity are also motivating factors. A higher proportion of the smallest firms are concerned with profits, while very large firms show practically no goal preference. Also note that a

slightly higher number of smaller firms indicate that increased sales are paramount, while more of the larger firms stress increased profits.

Because exporters by definition participate in foreign markets, the most important export market areas are of particular interest. By a margin of two to one, Mexico leads Canada as the most important export market for food processing firms in Kansas, Oklahoma, and Missouri, despite the language and culture differences that exist. Besides language, there is an entire set of problems that arise when goods cross international boarders. Some of the problems inherent with exporting include the nature of the product itself (because food products are often perishable or culturally unique), developing markets in foreign countries, currency exchange and financing issues, and receiving payment for exported products.

Since obstacles to trade can be specifically identified, targeted marketing strategies should be able to overcome them. Several government programs are available to firms to assist with these obstacles. For many, this may be as simple as attending a trade show. For others, assistance may include specific trade leads or customized market research. The fact that over half of the exporting firms participate in some kind of government program shows

the impact these policies have in Kansas, Missouri and Oklahoma.

The most common technique, with the exception of the aggregate grouping of government programs, is the use of an export broker or consultant. This service can be rather costly, but the range of services available from most brokerages is wide enough to make them a valuable resource to most exporting firms at one time or another. The practice of customizing packaging, promotion materials, and the product itself for sale in foreign markets, is also very common.

Unfortunately, firms may not be using marketing techniques that would specifically address their exporting problems. Cross tabulations show that most of the firms that have a problem with market development spend a very small percentage of their gross income in marketing activities, most firms that have difficulties with exchange rates do not use forward contracts or any other hedging practices for their currency transactions to combat the problem, and the majority of exporters who target Mexican customers do not have any bi-lingual marketing specialists.

Summary of Non-Exporter Responses

The attitudes and interests of non-exporters are also important for evaluating the export decision. Nearly three of four non-exporting firms indicated they were risk averse, and most of them had a positive outlook on the future of their product and their company. There was, however, a higher incidence of pessimism in all three risk preference groups toward the product and the company than with the exporters. Non-exporters also viewed the economy with skepticism, most indicating they were only guardedly optimistic.

The reasons firms in Oklahoma, Kansas and Missouri choose not to export were also discussed in Chapter V. Behind the nature of the product, these firms choose to remain purely domestic in their sales because of a lack of interest in exporting. This motivational barrier is difficult to combat. Risk averse producers are less interested in exporting than risk takers, while concerns about perishable products are the most significant barrier to risk takers. Other perceived obstacles include the cost of developing a market, and concerns about payment, financing, and exchange rates.

Non-exporters indicated they are interested in government programs to assist them with exporting, putting

emphasis on market information and unsubsidized trade shows. Ironically, the firms that indicated they are considering international sales are the least aware of the government programs available to them.

Conclusions

There are two general conclusions that can be drawn from this study. The first is that, despite slight differences in firm size, age of primary product, population of metropolitan area, or other demographic firm characteristics that influence firm behavior, the most important factor in the export decision is the attitude of the upper level managers who make export decisions. While size and location may put firms in a better position than others to overcome informational and resource barriers, these firm or external factors do not remove the motivational barriers that prevent most of the food processing firms in Kansas, Oklahoma from exploiting international markets.

The second conclusion is in regard to export promotion programs. Without attempting to evaluate their efficiency or performance, it is clear that many food exporters use and appreciate the informative and resource services offered by their state agencies. The kinds of services

offered are in line with the assistance exporters indicated they like, but these services do not seem to address many of the obstacles that are widely experienced by exporters. They can also do nothing to bring most non-exporting firms into foreign markets, because the motivational barriers that prevent the majority of these companies from international sales have no apparent external solution.

There are also many operations that indicated they are considering entering export markets, but are completely unaware of the assistance available to them. Perhaps the export promotion policies themselves require some promotion of their own.

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APPENDIX A

COVER LETTER ACCOMPANYING

MAILED SURVEY

Oklahoma State University

DEPARTMENT OF AGRICULTURAL ECONOMICS
DIVISION OF AGRICULTURAL SCIENCES AND NATURAL RESOURCES

STILLWATER, OKLAHOMA 74078-0505
AGRICULTURAL HALL, ROOM 308
405-744-6157, 6154,6081,6086
FAX: 405-744-8210

September 14, 1993

Dear Sir or Madam:

As a food processing firm in the mid-West, you know that there are many aspects of business that are unique to the agriculture industry. As a graduate student at Oklahoma State University in the Agricultural Economics department, these special concerns are of great interest to me. Specifically, I am trying to find information about the differences between firms that export their products and those that do not, and how this decision is made. I would greatly appreciate your help.

Enclosed with this letter are two questionnaires. The yellow copy is for exporting firms, that either export their product currently or have exported in the past. The pink copy is for firms that do not export. There is also a postage-paid envelope included to return the appropriate form and a form for your name and address if you would like a copy of the final results.

It will only take a few minutes to complete this questionnaire and drop it back in the mail. All of the information will be consolidated and used in aggregate form. I will make no attempt to identify individual firms, so your responses are completely confidential. It is my hope that by helping me with this project, that it can in turn help your exporting efforts in the future. Many export promotion programs rely on studies such as this to formulate their policies. And again, I truly appreciate your assistance in this survey.

Sincerely,

Linda Jo Blan-Byford

Linda Jo Blan-Byford

LB/kb
enclosures

APPENDIX B

SURVEY FOR EXPORTING FIRMS

IF YOU ARE AN EXPORTING COMPANY, COMPLETE THIS PAGE

1. How many workers, at all levels, are employed by your company?
   a. 1-50 c. 101-250 e. 501-1000
   b. 51-100 d. 251-500 f. over 1000

2. How would you classify your primary products? Circle all that apply.
   a. Unprocessed food products d. Frozen products
   b. Processed food products e. Fresh or non-frozen products
   c. Non-food agricultural products f. Other_____

3. How long have your primary product been on the market?
   a. Less than 6 months c. 1 - 3 years e. More than 5 years
   b. 6 months - 1 year d. 3 - 5 years

4. How would you classify your operation? Circle all that apply.
   a. Wholesaler c. Family operated business
   b. Retailer d. Non-family operation

5. What is the population of the metropolitan area in which you are located?
   a. Under 5000 c. 10,000 - 35,000 e. 100,000 - 500,000
   b. 5,000 - 10,000 d. 35,000 - 100,000 f. Over 500,000

6. How close is your company to a metropolitan area with a population of 500,000 or more?
   a. Less than 10 miles c. 30 - 50 miles e. 100 - 150 miles
   b. 11 - 30 miles d. 51 - 100 miles f. More than 150 miles

7. Rank the importance of the primary markets for your products.
   (1 = Most Important, 6 = Least Important)
   ____ Your local area ____ The United States
   ____ Your state ____ North America (US, Canada, & Mexico)
   ____ Your multi-state region ____ Other Countries

8. Do you currently or have you ever exported?
   a. Yes, currently b. Yes, in the past c. No, your company has never exported.

9. What percentage of your gross income is spent in marketing activities?
   a. 0 - 10 % c. 25 - 50%
   b. 10 - 25% d. More than 50%

10. How much of an increase in output could your current facility support?
    a. No increase: You currently operate at full capacity.
    b. 1 - 25% increase in output with existing facilities.
    c. 25 - 50% increase in output with existing facilities.
    d. 50 - 100% increase in output with existing facilities.
    e. More than 100%: You could more than double your current output.

11. How many production shifts does your company run per day?
    a. 1 b. 2 c. 3 d. More than 3 shifts.

12. How does your company view risk?
    a. You are risk averse: You play it safe. b. You are risk takers: You play big to win big.

13. How do you view the future of your company, product, and the economy in general?

	With Optimism	With Guarded Optimism	With Pessimism
Product	_____	_____	_____
Company	_____	_____	_____
Economy	_____	_____	_____

14. How long have you exported?
a. Less than 6 months
b. 6 months - 1 year
c. 1 - 3 years
d. 3 - 5 years
e. More than 5 years

15. What led to your first export sale? (Circle all that apply)
a. A local trade seminar.
b. A state sponsored exhibition at an overseas show.
c. An unsolicited order from abroad.
d. A staff member with international experience.
e. Other (please specify):_____
_____

16. How many times per year does someone from your company attend an international show or seminar?
a. Zero
b. 1 - 2 times per year
c. 3 - 5 times per year
d. More than 5 times per year

17. How many people are dedicated to the marketing of your product? _____

18. Does your company have a separate division for international sales?
a. Yes
b. No

19. Do you currently or have you ever used a broker or export consultant?
a. Yes: You currently use a broker or consultant.
b. Yes: You have used a broker or consultant in the past.
c. No: You have never used a broker or export consultant.

20. On a scale from 1 to 10, rate the effectiveness of export consultants and brokers. (10 = very effective, 1 = not effective at all.) _____.

21. Which of the following international marketing techniques do you employ?
(Circle all that apply)
a. You have promotion materials in other languages.
b. You have bilingual marketing staff.
c. You put ads in foreign trade journals.
d. You use forward contracts for currency exchange.
e. You customize packaging for markets in other countries.
f. You adapt your product for other markets
g. Other (please specify): _____
_____

22. What have been your major obstacles in exporting.
a. The nature of your product itself (perishable, culturally unique, etc.)
b. Developing the market for your product.
c. Exchange rate, financing problems.
d. Receiving payment for your product.
e. Other (please specify) _____.

23. Rank the importance of the following export markets.
(1 = most important, 8 = least important)
___ Canada
___ Mexico
___ Central or South America
___ Australia
___ England, Ireland or Scotland
___ Europe
___ Asia
___ Other _____

24. What are your primary reasons for exporting? (Circle all that apply)
a. To increase profits
b. To increase sales
c. To utilize excess capacity
d. To establish long term market share
e. Other _____

APPENDIX C

SURVEY FOR NON-EXPORTING FIRMS

IF YOU ARE A NON- EXPORTING COMPANY, COMPLETE THIS PAGE

1. How many workers, at all levels, are employed by your company?
   a. 1-50 c. 101-250 e. 501-1000
   b. 51-100 d. 251-500 f. over 1000

2. How would you classify your primary products? Circle all that apply.
   a. Unprocessed food products d. Frozen products
   b. Processed food products e. Fresh or non-frozen products
   c. Non-food agricultural products f. Other_____

3. How long have your primary product been on the market?
   a. Less than 6 months c. 1 - 3 years e. More than 5 years
   b. 6 months - 1 year d. 3 - 5 years

4. How would you classify your operation? Circle all that apply.
   a. Wholesaler c. Family operated business
   b. Retailer d. Non-family operation

5. What is the population of the metropolitan area in which you are located?
   a. Under 5000 c. 10,000 - 35,000 e. 100,000 - 500,000
   b. 5,000 - 10,000 d. 35,000 - 100,000 f. Over 500,000

6. How close is your company to a metropolitan area with a population of 500,000 or more?
   a. Less than 10 miles c. 30 - 50 miles e. 100 - 150 miles
   b. 11 - 30 miles d. 51 - 100 miles f. More than 150 miles

7. Rank the importance of the primary markets for your products.
   (1 = Most Important, 6 = Least Important)
   ____ Your local area ____ The United States
   ____ Your state ____ North America (US, Canada, & Mexico)
   ____ Your multi-state region ____ Other Countries

8. Do you currently or have you ever exported?
   a. Yes, currently b. Yes, in the past c. No, your company has never exported.

9. What percentage of your gross income is spent in marketing activities?
   a. 0 - 10 % c. 25 - 50%
   b. 10 - 25% d. More than 50%

10. How much of an increase in output could your current facility support?
    a. No increase: You currently operate at full capacity.
    b. 1 - 25% increase in output with existing facilities.
    c. 25 - 50% increase in output with existing facilities.
    d. 50 - 100% increase in output with existing facilities.
    e. More than 100%: You could more than double your current output.

11. How many production shifts does your company run per day?
    a. 1 b. 2 c. 3 d. More than 3 shifts.

12. How does your company view risk?
    a. You are risk averse: You play it safe. b. You are risk takers: You play big to win big.

13. How do you view the future of your company, product, and the economy in general?

	With Optimism	With Guarded Optimism	With Pessimism
Product	_____	_____	_____
Company	_____	_____	_____
Economy	_____	_____	_____

14. Are you now or have you ever considered exporting?
    a. Yes: You are currently considering entering the export market.
    b. Yes: You have considered exporting in the past.
    c. No: Exporting does not interest your company.

15. Has anyone in your administration or marketing division ever:
    (Circle all that apply)
    a. Received an order from abroad that you decided not to fill?
    b. Participated in a state sponsored trade show or seminar?
    c. Traveled out of the country on business?
    d. Traveled out of the country for pleasure?
    e. Studied a foreign language?
    f. Had any other international exposure or experience? (Please specify)

    _____
    _____

16. Rank the primary reasons that you do not export your product
    (1 = Most important, 6 = least important)
    ___ Not interested in exporting
    ___ You produce a perishable product
    ___ Concerns about exchange rates, financing, licensing
    ___ Cost of developing market or attending overseas shows
    ___ You produce a culturally unique product
    ___ Concerns about receiving payment for your product

17. Rank the types of government help that would be most useful.
    (1 = most useful, 6 = least useful)
    ___ Trade shows, organized to reduce costs but not subsidized
    ___ Trade shows, both organized and subsidized by the government.
    ___ Market information
    ___ Trade leads
    ___ Information on exchange rates, financing, licensing, etc.
    ___ Other (please specify): _____

    _____

18. Are you familiar with the export enhancement programs available through your state department of agriculture.
    a. Yes: You are familiar with the programs.
    b. Yes: You are aware of the programs, but have not asked for more info.
    c. No: You are not aware of the international trade programs available.

APPENDIX D

TABLES OF EMPIRICAL RESULTS

Table 1

Survey Responses By State

	Exporters	Non-Exporters	Total
Kansas			
Number returned	11	78	89
Percent in state	12.4%	87.6%	100%
Percent of total	4.1%	29.2%	33.3%
Missouri			
Number returned	30	83	113
Percent in state	26.5%	73.5%	100%
Percent of total	11.2%	31.1%	42.3%
Oklahoma			
Number returned	6	59	65
Percent in state	9.2%	90.8%	100%
Percent of total	2.2%	22.1%	24.3%
Totals			
Number Returned	47	220	267
Percent of total	17.6%	82.4%	100%

Source: Original survey conducted by Linda Blan-Byford and Dr. David M. Henneberry, Oklahoma State University, 1993.

Table 2

Characteristics of Exporting and Non-Exporting Food Processing Firms in Kansas, Missouri, and Oklahoma.

	Exporters	Non-Exporters	Total
		(percent)	
Number of Employees			
1-50	38.3	87.3	78.7
51-100	23.4	6.4	9.4
101-250	23.4	3.6	7.1
251-500	2.1	0.9	1.1
500-1,000	4.3	0.9	1.5
over 1,000	8.5	0.9	2.2
Age of Primary Product			
Less Than 6 Months	4.3	2.7	3.0
6 Months - 1 Year	-	1.8	1.5
1 - 3 Years	-	12.3	10.1
3 - 5 Years	10.6	13.2	12.7
More Than 5 Years	85.1	70.0	72.7
Population of Metropolitan Area			
Under 5,000	27.7	37.4	35.8
5,000 - 10,000	8.5	9.6	9.4
10,000 - 50,000	14.9	11.9	12.4
50,000 - 100,000	14.9	13.7	13.9
100,000 - 500,000	8.5	8.7	8.6
Over 500,000	25.5	18.7	19.9

Source: Original survey conducted by Linda Blan-Byford and Dr. David M. Henneberry, Oklahoma State University, 1993.

Table 3

Production and Marketing Characteristics for Food Processing Firms in Kansas, Missouri, and Oklahoma.

	Exporters	Non-Exporters
	(percent of respondents by group)	
Excess Capacity		
Operating at full capacity	8.9	10.1
1-25% below full capacity	48.9	30.1
25-50% below full capacity	20.0	30.4
50-100% below full capacity	11.1	11.1
More than 100% below full capacity	11.1	18.4
Gross Income Spent in Marketing		
0-10%	80.9	74.8
10-25%	17.0	22.0
25-50%	2.1	2.8
50-100%	-	0.5

Source: Original survey conducted by Linda Blan-Byford and Dr. David M. Henneberry, Oklahoma State University, 1993.

Table 4

Most and Least Important Market Areas for Exporting and Non-Exporting Firms in Kansas, Missouri, and Oklahoma.

	Exporters	Non-Exporters	Total
		(percent)	
Most Important Markets			
Local Area	10.6	63.6	54.2
State	8.5	19.4	17.4
Multi-State Region	14.9	11.1	11.7
United States	53.2	6.0	14.4
Canada or Mexico	8.5	-	1.5
Other Countries	4.3	-	0.8
Least Important Markets			
Local Area	46.2	3.1	13.2
State	-	1.6	1.2
Multi-State Region	-	0.8	0.6
United States	5.1	-	1.2
Canada or Mexico	12.8	-	3.0
Other Countries	35.9	94.5	80.8

Source: Original survey conducted by Linda Blan-Byford and Dr. David M. Henneberry, Oklahoma State University, 1993.

Table 5

Attitudes toward Risk For Exporters and Non-Exporters in Kansas, Missouri, and Oklahoma.

	Attitude Toward Risk			
	Risk Averse	Risk Takers	Other	TOTAL
	(Percent by Group)			
Exporters	65.9	27.8	6.3	100.0
Non-Exporters	74.3	20.7	5.0	100.0

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

Table 6

Attitudes toward Risk and the Future Outlook of the Product, Company and Economy For Exporters in Kansas, Missouri, and Oklahoma.

	Attitude Toward Risk			
	Risk Averse	Risk Takers	Other	Total*
Future Outlook		(Percent of Total)		
PRODUCT				
Optimistic	46.8	19.1	4.2	70.3
Guardedly Optimistic	19.1	8.5	2.1	29.7
Pessimistic	-	-	-	-
Total*	65.9	27.8	6.3	100.0
COMPANY				
Optimistic	46.8	21.3	4.2	72.4
Guardedly Optimistic	19.1	6.4	2.1	27.6
Pessimistic	-	-	-	-
Total*	65.9	27.8	6.3	100.0
ECONOMY				
Optimistic	10.6	6.4	-	17.0
Guardedly Optimistic	44.7	12.8	6.3	63.9
Pessimistic	10.6	8.5	-	19.1
Total*	65.9	27.8	6.3	100.0

* Total row and column may not equal 100 due to rounding.

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

Table 7

Attitudes Toward Risk, Firm Size, and the Population of the Town or City in which Firms are Located for Exporters in Kansas, Missouri, and Oklahoma.

	Attitude Toward Risk			
Number of Employees	Risk Averse	Risk Takers	Other	TOTAL*
	(Percent of Total)			
1-50	27.7	8.5	2.1	38.3
51-100	12.8	8.5	2.1	23.4
101-250	14.9	8.5	-	23.4
251-500	2.1	-	-	2.1
501-1,000	4.3	-	-	4.3
Over 1,000	4.3	2.1	2.1	8.5
Total*	65.9	27.8	6.3	
Metropolitin Area Population				
Under 5,000	21.3	6.4	-	27.7
5,000-10,000	8.5	-	-	8.5
10,000-35,000	8.5	4.2	2.1	14.9
35,000-100,000	6.4	8.5	-	14.9
100,000-500,000	2.1	4.2	2.1	8.5
Over 500,000	19.1	4.2	2.1	25.5
Total*	65.9	27.8	6.3	

* Total row and column may not equal 100 due to rounding.

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

Table 8

Primary Reasons for Exporting for Food Processing Firms in Kansas, Missouri, and Oklahoma

Reasons for Exporting	Percent of Respondents*
Increase Profits	72.3
Increase Sales	72.3
Utilize Excess Capacity	42.6
Gain Market Share	46.9
Other	38.3

* Column total exceeds 100% because more than one response was permitted per respondent.

Source: Original survey conducted by Linda Blan-Byford and Dr. David M. Henneberry, Oklahoma State University, 1993.

Table 9

Attitudes toward Risk and the Reasons for Exporting For Firms in Kansas, Missouri, and Oklahoma.

	Attitude Toward Risk			
	Risk Averse	Risk Takers	Other	Total*
		(Percent of Total)		
Reasons For Exporting				
To Increase Profits	42.5	23.4	6.4	72.4
To Increase Sales	42.5	23.4	6.4	72.4
To Utilize Excess Capacity	27.7	10.6	4.3	42.6
To Establish Long Term Market Share	29.8	12.8	4.3	46.9
Other	23.4	10.6	4.3	38.3

* Because more than one response was permitted per respondent, totals column exceeds 100%.

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

Table 10

Reasons for Exporting and Firm Size of Exporting Food Processing Firms in Kansas, Missouri and Oklahoma

Reasons to Export	Number of Employees					
	1-50	51-100	101-250	251-500	501-1,000	Over 1,000
	(Percent of Total Respondents*)					
Increase Profits	21.3	14.9	21.3	2.1	4.3	8.5
Increase Sales	23.4	17.0	21.3	2.1	2.1	6.4
Use Excess Capacity	12.8	12.8	8.5	2.1	-	6.4
Market Share	14.9	14.9	10.6	-	-	6.4
Other	14.9	10.6	6.4	-	-	6.4

* Because more than one response was permitted per respondent, totals exceed 100%.

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

Table 11

Most Important Export Markets for Food Processing Firms in Kansas, Missouri, and Oklahoma

Market Area	Exporter Responses (percent)
Mexico	32.6
Canada	16.3
Central/South America	9.3
Australia	2.3
United Kingdom	4.7
Continental Europe	14.0
Asia	11.6
Other	9.3

Source: Original survey conducted by Linda Blan-Byford and Dr. David M. Henneberry, Oklahoma State University, 1993.

Table 12

Obstacles in Exporting and the Techniques Used To Overcome Them by Food Processing Firms in Kansas, Missouri, and Oklahoma.

Major Obstacles	Percent of Respondents*
The nature of the product itself (Perishable, culturally unique, etc.)	34.0
Developing the market for product	25.5
Exchange rate or financing problems	17.0
Receiving payment for product	21.3
Other	25.5

* Column total exceeds 100% because more than one response was permitted per respondent.

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

Table 13

Techniques Used by Food Processing Firms in Kansas, Missouri, and Oklahoma To Overcome Export Obstacles.

Marketing Techniques	Percent of Respondents*
Participate in government programs	55.3
Use an export broker	57.5
Customize packaging for foreign markets	55.3
Adapt the product itself for foreign markets	44.7
Promotional materials in foreign languages	34.0
Bilingual marketing staff	14.9
Ads in foreign trade journals	14.9
Forward contracts (or other hedging) for currency exchanges	4.2
Other	14.9

* Column total exceeds 100% because more than one response was permitted per respondent.

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

Table 14

Trade Shows Attended Each Year For Exporting Firms of Different Sizes, Products, and Organization.

	Number of Shows Per Year				
	0	1-2	3-5	More than 5	Total*
			(Percent of Total)		
Number of Employees					
1-50	21.3	17.0	-	-	38.3
51-100	10.6	12.8	-	-	23.4
101-250	8.5	10.6	4.2	-	23.4
251-500	-	-	2.1	-	2.1
501-1,000	-	2.1	2.1	-	4.2
More than 1,000	4.2	-	-	4.2	8.5
Total *	44.7	42.5	8.5	4.2	
Primary Product					
Unprocessed	6.4	4.3	-	-	10.7
Processed	23.4	27.7	6.4	4.3	61.8
Fresh	4.3	2.1	-	-	6.4
Frozen	2.1	-	-	-	2.1
Non-food	6.4	4.3	-	-	10.7
Other	2.1	4.3	2.1	-	8.5
Total*	44.7	42.5	8.5	4.3	
Type of Operation					
Wholesale	19.1	19.1	6.4	4.3	48.9
Retail	6.4	-	-	-	6.4
Family Operation	19.1	12.8	2.1	-	34.0
Non-Family Corporation	12.8	19.1	4.3	-	36.2
Other	2.1	-	-	2.1	4.2
Total **	59.5	51.0	12.8	6.4	

* Total row and column may not equal 100 due to rounding

** Columns and rows total more than 100% because more than one response was permitted per respondent.

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

Table 15

Percent of Gross Income Spent in Marketing Activities and the Use of Export Brokers among Exporting Firms in Kansas, Missouri, and Oklahoma.

	Percent of Gross Income Spent in Marketing Activities				
	0-10%	10-25%	25-50%	More than 50%	Total*
Use Export Brokers					
Yes, Currently					
Percent of Group	77.8	22.2	-	-	100
Percent of Total	44.7	12.8	-	-	57.5
Yes, In the Past					
Percent of Group	83.3	16.7	-	-	100
Percent of Total	21.3	4.3	-	-	25.6
No					
Percent of Group	85.7	-	14.3	-	100
Percent of Total	14.9	-	2.1	-	17.0

* Total row and column may not equal 100 due to rounding.

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

Table 16

Marketing Expenditures and Market Development as an Obstacle for Exporting for Food Processing Firms from Kansas, Missouri, and Oklahoma.

	Gross Income Spent in Marketing Activities				
	0-10%	10-25%	25-50%	More than 50%	Total*
	(Percent of Total)				
Developing a Market A Major Obstacle	21.3	4.2	-	-	25.5
Developing a Market Not a Major Obstacle	59.6	12.8	2.1	-	74.5
Total*	80.9	17.0	2.1	-	

* Total row and column may not equal 100 due to rounding.

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

Table 17

Exchange Rate and Financing as Exporting Obstaces and the Use of Currency Hedging by Food Processing Firms in Kansas, Missouri, and Oklahoma.

	Hedge Currency Transactions	Do Not Hedge Currency Transactions	Total
Exchange Rate, Financing A Major Obstacle	2.1	14.9	17.0
Exchange Rate, Financing Not A Major Obstacle	2.1	80.9	83.0
Total	4.2	95.8	

* Total row and column may not equal 100 due to rounding.

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

Table 18

Mexico as Primary Export Market and the Use of Bi-Lingual Marketing Staff by Food Processing Firms in Kansas, Missouri, and Oklahoma.

	Have Bi-Lingual Marketing Staff	Do Not Have Bi-Lingual Marketing Staff	Total
Mexico is Most Important Export Market	2.1	30.5	32.6
Mexico is not Most Important Export Market	12.8	54.6	67.4
Total	14.9	85.1	

* Total row and column may not equal 100 due to rounding.

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

Table 19

Primary Reasons for First Export Sales and International Marketing Characteristics for Exporting Firms in Kansas, Missouri, and Oklahoma.

	Source of First Export Sale					
	Local Seminar	State Sponsored Overseas Show	Unsolicited Orders	Staff with International Experience	Other	TOTAL*
Annual Trade Show Participation						
Zero	-	4.3	17.0	4.3	19.1	44.7
1-2 shows per year	-	4.3	12.8	8.5	17.0	42.5
3-5 shows per year	-	2.1	2.1	-	4.3	8.5
More than 5 shows	-	-	2.1	-	2.1	4.2
Total*	-	10.6	34.0	12.8	42.6	
International Division						
Yes	-	2.1	8.5	2.1	10.6	23.3
No	-	8.5	25.5	10.6	31.9	76.5
Total*	-	10.6	34.0	12.7	42.5	
Use Export Broker						
Yes, currently	-	8.5	12.8	6.4	29.8	57.5
Yes, in the past	-	-	10.6	6.4	8.5	25.5
No	-	2.1	10.6	-	4.3	17.0
Total*	-	10.6	34.0	12.8	42.6	

* Total row and column may not equal 100 due to rounding.

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

Table 20

Attitudes Toward Risk and the Future Outlook of the Product, Company and Economy For Non-Exporters in Kansas, Missouri, and Oklahoma.

	Attitude Toward Risk			
	Risk Averse	Risk Takers	Other	Total*
	(Percent of Total)			
Future Outlook				
PRODUCT				
Optimistic	62.4	17.0	3.2	82.6
Guardedly Optimistic	9.6	2.7	1.8	14.1
Pessimistic	2.3	1.0	-	3.3
Total*	74.3	20.7	5.0	100.0
COMPANY				
Optimistic	51.8	14.7	2.7	69.2
Guardedly Optimistic	20.2	4.6	1.8	26.6
Pessimistic	2.3	1.4	0.5	4.2
Total*	74.3	20.7	5.0	100.0
ECONOMY				
Optimistic	18.3	4.6	0.5	23.4
Guardedly Optimistic	38.1	11.5	2.7	52.3
Pessimistic	17.9	4.6	1.8	24.3
Total*	74.3	20.7	5.0	100.0

* Total row and column may not equal 100 due to rounding.

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

Table 21

Future Export Plans of Non-Exporting Firms
in Kansas, Missouri, and Oklahoma.

	Percent of Respondents
Currently Considering Exporting	14.6
Considered Exporting in The Past	25.2
Not Interested in Exporting	60.2
Total	100

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

Table 22

Most and Least Important Reasons Firms in Kansas, Missouri, and Oklahoma Do Not Export.

Reasons Firms Do Not Export	Percent of Respondents
Not Interested in Exporting	28.9
Produce a Perishable Product	37.4
Concerns about Exchange Rates, Financing, etc.	9.5
Cost of Developing Market	14.7
Product is Culturally Unique	5.3
Concerns About Receiving Payment	4.2

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

Table 23

Attitudes toward Risk and the Reasons for Not Exporting for Firms in Kansas, Missouri, and Oklahoma.

	Attitude Toward Risk			
	Risk Averse	Risk Takers	Other	Total*
	(Percent of Total)			
Reasons Firms Do Not Export				
Not Interested in Exporting	25.2	3.7	-	28.9
Produce a Perishable Product	23.7	9.5	4.2	37.4
Concerns about Exchange Rates, Financing, etc.	8.2	1.3	-	9.5
Cost of Developing Market	9.5	4.2	0.9	14.7
Product is Culturally Unique	4.8	0.5	-	5.3
Concerns About Receiving Payment	2.9	1.3	-	4.2
Total*	74.3	20.6	5.21	

* Total row and column may not equal 100 due to rounding.

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

Table 24

Most and Least Helpful Government Programs From the View of Non-Exporting Firms in Kansas, Missouri, and Oklahoma.

Government Programs	Percent of Respondents
Trade Shows, unsubsidized	19.4
Trade Shows, subsidized	16.8
Market Information	31.0
Trade Leads	16.8
Information on Exchange Rates and Financing	9.7
Other	6.5

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

Table 25

Future Export Plans and Knowledge of State Export Programs by Non-Exporting Firms in Kansas, Missouri, and Oklahoma.

	Currently Considering Exporting	Considered Exporting in The Past	Not Interested in Exporting	Total*
		(Percent of Total Responses)		
Familiar with State Programs	3.4	3.4	8.2	15.0
Aware of State Programs	3.4	9.7	18.0	31.1
Not Aware of Programs	7.8	12.1	34.0	53.9
Total*	14.6	25.2	60.2	

* Total row and column may not equal 100 due to rounding.

Source: Original Survey conducted by Linda Blan-Byford and Dr. David M. Henneberry. Oklahoma State University, 1993.

VITA 2

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