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**EXPORT ENHANCEMENT STRATEGIES
FOR SMALL AND MEDIUM RURAL
AND AGRICULTURAL FIRMS**

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Abstract

Literature reports that small and medium firms face greater difficulty in obtaining the necessary export market information and in obtaining financing than do larger firms. Accordingly, the United States has many export promotion and enhancement services, but there is little documentation on the impacts of these services on small and medium rural and agricultural firms. The objectives of this project were to 1) analyze the export assistance needs of small and medium rural and agricultural firms operating in the Northern Plains region at different stages of the export or internationalization process, 2) identify available export assistance and promotion services offered at the federal and state levels to meet the needs of these firms, and 3) identify factors that may increase the effectiveness of export assistance programs.

The primary assistance these firms wanted from the government was help in documenting their exports. The primary reasons firms did not seek government assistance were a lack of knowledge of the service and the service is not useful. The most often used non-government information sources were trade or industry associations and banks. Accordingly, policy makers should emphasize programs that complement efforts of private organizations and that target the needs and interests of the firms.

Key words: export, rural, agriculture, export assistance, Northern Plains, government

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EXPORT ENHANCEMENT STRATEGIES FOR SMALL AND MEDIUM RURAL AND AGRICULTURAL FIRMS

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INTRODUCTION

Many states, such as those in the Northern Plains, that are rural and agricultural have mostly small and medium firms. Assisting these firms in reaching their export potential is important to the economic well-being of rural regions. Smaller firms face several barriers, perceived and real, to entering foreign markets, including lack of market information, lack of knowledge of export market budgeting and planning, lack of financing, and perceived export complexities and riskiness (Naidu and Rao, 1993; Walters, 1993; Baltezore et al., 1992; Sharkey et al., 1989).

Public programs, designed to enhance the competitiveness of U.S. firms and products, are one factor in encouraging exports. However, there is little documented on the export assistance needs of the smaller rural and agricultural firms, on their use of public export services, or on the availability of services to match the needs of these firms.

The goal of this project was to improve public export assistance services to the rural and agricultural firms in the Northern Plains. The project objectives were:

- 1) Analyze the export assistance needs of small and medium rural and agricultural firms.
- 2) Identify export assistance and promotion services offered at the federal and state levels to meet the needs of small and medium rural and agricultural firms.
- 3) Identify factors that may increase the effectiveness of export assistance programs.

Rationale and Significance

Economic growth through export growth is an objective of U.S. federal and state governments. The United States reconfirmed its support for promoting and assisting export growth in the "National Export Strategy" in September 1993. The export strategy calls for specifying which companies need export promotion services, identifying their needs, and targeting specific agencies to meet their needs.

Most exports are done by large firms, but if exports are to expand, more must come from small and medium firms.** Many states, such as those in the Northern Plains, that are rural and

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**The definition of small and medium firms is most often based on employment, according to the Small Business Administration. Its guidelines consider a firm medium size if it employs less than 500 people and small if it employs less than 100 people. In this study, these definitions are too encompassing for useful delineation of demand for services. A European Commission study used four categories of employee numbers to distinguish firm size: < 20 - microenterprise, 20-49 - small, 50-99 - small medium, and 100-500 large medium. This may be a more useful delineation.

agricultural have mostly small and medium firms. Assisting these firms in reaching their export potential is important to the economic well-being of the region. Although we often assume that rural areas are logistically disadvantaged in exporting, the Northern Plains region may have an advantage in some export markets, especially Canada. A 1992 study of North Dakota manufacturers, by Leistriz and Wanzek, found that 64.8 percent had fewer than 25 employees and an additional 13.6 percent had between 25 and 49 employees. However, despite their small size, 25 percent sell products outside the United States and 50 percent had plans to export. Twenty-eight percent of these firms rated exporting as a very or critically important area with which they needed assistance. Agribusiness firms rated the need for export assistance significantly higher than non-agricultural firms (Leistriz and Wanzek, 1992).

The North Dakota Agricultural Products Utilization Commission examined marketing opportunities for North Dakota products in Canada, Mexico, and the United States. Product opportunities were ranked according to whether the market for the product was a growth market, how sensitive to transportation costs the product was, the level of competition, the ability of North Dakota to produce the product, the size of the market, the level of import substitution, and additional factors. Thirty-one possible agricultural related marketing opportunities were identified on the "A" list; fourteen of those opportunities were in Canada and Mexico. Topping the list was packaged sunflower seed exports to Mexico. Other agricultural products having export potential on the "A" list were frozen french fries, grain-based snacks, animal genetics, processed beans, corn sweeteners, popcorn, sunflower oil, deli meats, malt products, and frozen parbaked dough (North Dakota Agricultural Products Utilization Commission).

The need for export assistance is illustrated by an example of a request for assistance received at North Dakota State University. Some farm equipment manufacturers requested export assistance. This led to a cooperative research project between the manufacturers and the Northern Plains International Research Program to explore export opportunities for the Northern Plains' farm equipment industry (Dooley et al., 1994).

Small and medium exporters have untapped export potential, but they face special challenges in entering export markets. The United States has many export promotion and enhancement services, but there is little documentation on the impacts of these services on small and medium rural and agricultural firms. Research on the impact of government enhancement programs on small and medium businesses is mostly concentrated on non-agricultural exports (e.g., Cavusgil and Kirpalani, 1993; Naidu and Rao, 1993; Seringhaus and Rosson, 1991). Research on the impact of government promotion and enhancement programs on agricultural exports has focused on the aggregate impact on commodity exports or has provided descriptions of non-price programs (Ackerman, 1993; Halliburton and Henneberry, 1993; Henneberry et al., 1992; Sparks, 1992; Abbott et al., 1987). Furthermore, most research has focused on the multinational (e.g., Scoppola, 1993; Handy and MacDonald, 1989).

Export Potential for Small and Medium Firms

An article in *The Economist* (July 3, 1993) highlighted the export success of America's small export firms. Between 1987 and 1992, U.S. exports grew by 76 percent, led by growth in small exporting firms. On average over the last five years, exports by smaller exporters have grown 4 percent per year faster than for larger exporters. However, the total volume of exports from small exporters is still small. It is widely agreed that the United States has many small and medium companies that could export with the proper orientation (*Business Week, 1991b; The Economist, 1993*).

Small and medium firms are important to the export success of European countries. Small and medium German firms, for example, employ 4/5 of Germany's workers, and despite having an economy and labor force one-fourth the size of the United States, Germany competes with the United States for the top position for value of exports to the world (*Business Week, 1991-a*). Germany targets small and highly profitable niches and has a highly efficient public and private export infrastructure that assists smaller firms (*Business Week, 1991a; Business Week, 1991b*).

Several studies support the export potential of smaller firms. Jacobson and Aaker (1985) found that market share was not a good indicator of export profitability. They suggest targeting markets for non-standard products with high price and high quality. Cavusgil and Kirpalani (1993) suggest that size is only an advantage if there are reasons such as scope and scale economies. They found that small firms with new products and multiple market entries were export successful. Walters and Samiee (1990) found that export planning was significantly linked to superior export performance. They found no difference in export success between small and large firms that had the same level of export planning. However, smaller firms were less likely to undertake export planning.

Most studies have concentrated on manufacturing exporters, with limited attention to small agricultural exporters which may include food and non-food products. Pratten (1991) did an extensive study of the competitiveness, including export competitiveness, of small United Kingdom firms, including food processing firms. Comparing food processing to other industries, he found that product development, quality of service provided, and the efficiency of production were the leading sources of competitive advantage. He found that new food products involved new formulations, recipes, and/or packaging, but not costly research and development. He found that small firms may actually have an advantage as they can more quickly develop and test new products. Large firms often invest more in testing and advertising than do small firms and cannot as easily change products or markets. Large firms' tactics may work well in mass marketing, but may not be an advantage for niche marketing. Pratten (1991) further notes that small firms can avoid scale disadvantages for production by using the small size as a marketing plus and emphasizing "homemade products" or superior, personalized service, for example. Although no literature references could be noted for non-food agricultural products, the same concepts of targeting niche markets would apply, perhaps even to a greater degree.

Small and medium firms have more commitment to export activities from their U.S. based operations and can provide greater employment opportunities, including rural employment opportunities, than the larger or multinational firm. The larger or the multinational firm is likely to consider several foreign market entry and expansion strategies, of which exporting is only one. Foreign direct investment, international licensing, and joint ventures are others. The foreign operations of U.S. owned corporations account for more than \$1 trillion in annual sales around the world, roughly four times the total exports of goods made in the United States (Reich, 1991). For the smaller firm lacking the necessary investment, such strategies are not usually an option (Walters and Samiee, 1990; Yu and Ito, 1988).

Data compiled by the U.S. Department of Commerce show significant increases in exports by states that are predominantly rural. South Dakota, for example, is at the top of the list of states showing export growth, with a 270 percent growth in exports between 1987 and 1990 (Ellsworth, 1992). Several other states that are predominately rural (e.g., North Dakota and Kansas) have also shown export growth. For many rural states, agricultural and food exports are among the top exports (Ellsworth, 1992).

The nature of U.S. multinationals has been changing in the past decade. U.S. owned multinationals are employing more foreign workers relative to U.S. workers and are exporting more from foreign locations, including exporting products back to the United States (Reich, 1990). This trend includes food processing companies. Pepsico, Inc. announced plans in 1993 to make India a major base for exports. Some of these exports, including rice and fruit juices, are being produced for U.S. markets. Pepsico also plans to export rice to the European Community (Rao, 1993). This makes it directly competitive with U.S. rice producers, not only in export markets but in the U.S. domestic market.

Thirty-eight of the largest 64 U.S. food processors own 682 food processing plants in foreign countries, accounting for 26 percent of their total sales while exports account for only 2.6 percent (Handy, 1990). Many U.S. multinational food firms are concentrating on direct investment strategies, and the NAFTA will likely strengthen this commitment (Handy and Langley, 1993). In 1992, U.S. firms exported \$1.9 billion to Mexico; less than half the amount of \$4.6 billion sold by their Mexican affiliates (Handy and Langley, 1993).

Just as limited investment resources narrow the foreign market entry decisions of small and medium firms in favor of exporting, it also has implications for the export strategy (Porter, 1980). Small and medium agricultural firms that undertake exporting are likely to do so with high-value, often highly processed products for niche markets because they lack the infrastructure and investment necessary to export bulk products. Several studies have highlighted the export success of niche marketing for smaller firms (Cavusgil and Kirpalani, 1993; Pratten, 1991; Culpan, 1989; Namiki, 1988; Jacobson and Aaker, 1985). Thus, targeting export services to small and medium firms is consistent with the U.S. goal to enhance the exports of value-added products.

Barriers to Exporting Faced by Small and Medium Firms

Small and medium firms face greater difficulty in obtaining the necessary export market information and in obtaining financing than do larger firms. They are significantly less likely to do marketing and budget planning than are larger firms, yet planning is related to superior export performance. Small firms may perceive exporting to be less profitable, more complicated, and more risky than larger firms. Smaller firms, despite their need for greater assistance, may actually make less use of public and private information services and trade missions. Small firms, because they do not have adequate information on export markets, may be less willing or able to translate documents or visit potential markets.

Small and medium firms face greater difficulty determining which markets to enter than larger firms (Naidu and Rao, 1993; Naumann and Lincoln, 1991; Papadopoulos, 1987). Poor knowledge of export markets was the number one impediment to exporting identified by Naidu and Rao (1993). In fact, the majority of small U.S. exporters begin exporting because someone overseas seeks them out (Naumann and Lincoln, 1991). They call this a reactive approach and argue that it is illogical to expect high successes based on this.

Obtaining financing also is a significant barrier for small firms. Baltezore et al. (1992) surveyed North Dakota manufacturers concerning financial needs for exporting and found that over 40 percent of those responding thought that their financial institutions did not have anyone knowledgeable about international finance or international letters of credit. Thurston (1993) reports that small Texas exporters, acknowledged to be good credit risks, lack export financing.

Walters (1993) surveyed U.S. exporters from eight industry groups and found that smaller firms were significantly less likely to prepare an export budget than larger firms. Based on export profitability, sales growth, and export percent of total sales, planners did better than non-planners in all cases with no significant difference between large and small. Walters and Samiee (1990) surveyed U.S. exporters and found that large firms were significantly more active in gathering market information for every category of question answered. Similarly, Sriram and Sapienza (1991) found that smaller firms place less emphasis on marketing.

Denis and Depelteau (1985) studied which information gathering activities were more closely associated with export growth. They selected from a data bank of small and mid Canadian firms those that had export growth and found three distinct groups of exporters: those with slow, moderate, and rapid expansion. Those with slow expansion concentrated on one market (the United States) and made little use of public and private export services and/or trade fairs. Those with moderate and rapid expansion were more diversified geographically and used more public and private services. Those with rapid expansion made the most use of trade fairs and overseas missions.

Czinkota and Ursic (1991) found that small firms with a low percentage of exports identified exporting as more risky and less profitable than small firms with a higher percentage of exports. However, those with a low percentage of exports could not identify specific concerns while those with a high percentage of exports could. Similarly, Bilkey (1982) found that firms

with less export experience perceive fewer profits from exporting than firms with more experience.

Sharkey et al (1989) analyzed barriers to entry, surveying 1921 small Ohio firms on 15 potential barriers. They found that non-exporters and exporters with sporadic export activity perceived more barriers than active exporters. Barriers were summarized into five categories. Two of the five dealt with perceptions of export complexity and strategic limitations. They noted that many of the barriers can be reduced with education and information. Seringhaus and Mayer (1988) analyzed users of trade missions and found that non-exporters and exporters who did not use trade missions showed less knowledge of market barriers. They hypothesized that exposure to the foreign market familiarized firms with actual market barriers.

Export Enhancement Services

The United States has many export promotion and assistance services, administered by ten executive branches of the federal government. Trade offices are listed in all 50 states, with 41 listing foreign offices in 24 countries (GAO, 1992; Friedman, 1992). These operate individually and in cooperation with each other, trade associations, producer organizations, and private firms. In addition, some trade alliances and associations operate at the city level (e.g., Seattle, Philadelphia). Many are organized into larger regional or national associations (e.g., National Association of State Development Agencies).

In 1991, the United States spent \$2.7 billion on export promotion and approved \$21.4 billion in loans, credit guarantees, and insurance (GAO, 1992). The U.S. Department of Agriculture (USDA) administers the majority of the monies (Mendelowitz, 1992a). The state programs that have evolved also are complex and expensive, with the average annual state budget estimated at \$2 million. (Friedman, 1992, pg. 8). State departments of agriculture are grouped into four regional blocks and one national association. Each of the four regions has received grant money from the Foreign Agricultural Service, USDA (Chadwin, 1990).

Federal and state programs are expensive and services offered vary. Despite these programs, it is not clear that small and medium exporters are receiving the services they need. In fact, surveys show that small firms lack needed services (Thurston, 1993; Baltezore et al., 1992; *Business Week*, 1991b) and are less likely to undertake export planning operations than larger firms (Walters, 1993; Naumann and Lincoln, 1991). Despite the export promotion and assistance services offered in the United States, it is not considered a leader in export services and may be especially lacking in assistance for smaller firms (Naidu and Rao, 1993; Nothdurft, 1992; Mendelowitz, 1992b). Other countries offer services that are often targeted more specifically to the smaller firm (GAO, 1992; Nothdurft, 1992; Mendelowitz, 1992b; Elvey, 1990). Sullivan and Bauerschmidt (1989) found that more U.S. companies than European companies felt there was a lack of governmental assistance in overcoming export barriers.

U.S. agricultural export enhancement programs use four basic methods: price reduction programs (such as the Export Enhancement Program (EEP), the provision of commercial credit

(GSM-102), food aid (PL-480), and non-price promotion such as the Foreign Market Development Program (FMDP) and the Market Promotion Program (MPP) (Henneberry et al., 1992). The FMDP includes the Export Incentive Program and the Cooperator Program. These include activities such as advertising directed at foreign buyers, distribution of promotional materials, sponsoring visits of potential suppliers to the United States, technical assistance, and consumer promotion. Non-price export promotion programs are the main source of assistance for many high-value products (Ackerman, 1993). Ackerman (1993) estimates that 80 percent of MPP funds are used for high-value products, with the FMDP concentrating on grains and oilseeds.

There is little documentation of the impact of government export enhancement programs on small and medium rural and agricultural firms. Research on the impact of government enhancement programs on small and medium businesses is mostly concentrated on non-agricultural exports (e.g., Cavusgil and Kirpalani, 1993; Naidu and Rao, 1993; Seringhaus and Rosson, 1991). Research on the impact of government promotion and enhancement programs has focused on the aggregate impact on commodity exports or has provided descriptions of nonprice programs, but with limited empirical analysis (Ackerman, 1993; Halliburton and Henneberry, 1993; Henneberry et al., 1992; Sparks, 1992; Abbott et al., 1987). Furthermore, most research in recent years has focused on the multinational (e.g., Scoppola, 1993; Handy and MacDonald, 1989).

Government export promotion programs have fallen under recent criticism as inefficient, unfocused, and fragmented (Mendelowitz, 1992a, 1992b, 1993; GAO, 1992). For example, the Small Business Administration (SBA) was criticized for having a domestic focus and for having loan officers inexperienced in international finance. SBA's financial assistance to exporters is less than one percent of their overall financial assistance, for example. These criticisms led to a Trade Promotion Coordinating Committee, which developed U.S. Export Assistance Centers (USEACS) as one-stop agencies where firms can receive consolidated services from several agencies such as the Department of Commerce, Small Business Administration, and the Export-Import Bank (*Business America*, 1994a, 1994b).

A recent study shows the United States ranked 16th in providing export services references. The awareness of programs was low, and performance measures for export enhancement programs were found to be based on presumed, not documented, needs (Naidu and Rao, 1993). The United States spends less on export promotion than major European nations, measured as dollars spent per capita or as dollars spent per gross domestic product (Nothdurft, 1992). However, when expenditures on export promotion are measured per dollar of export sales, the United States ranks near the high end (Mendelowitz, 1992b).

Most European public export assistance and promotion programs focus on export-ready firms capable of implementing an export strategy (Nothdurft, 1992). In some countries, marketing assistance and trade fair participation support are limited to firms with an approved strategic export plan. Many countries perform export audits to separate export-willing firms from export-ready firms. Elvey (1990) compared eight export promotion programs of foreign countries (Canada, France, Italy, Japan, Singapore, South Korea, the United Kingdom, and West

Germany). Although programs varied and the role of public and private agencies varied from country to country, some similarities were shown. First, most assistance and promotion efforts were directed at small and medium firms.

A 1992 GAO study found that some countries target services to the best prospects, target assistance to small and medium firms, offer greater access to export financing, are less fragmented, and often offer more services such as financial assistance for firms participating in trade events and for market development. In Germany, for example, trade fairs are the principal method for providing small and medium firms with market exposure. Germany provides roughly 30 percent of the cost of participating. As another example, the GAO (1992) study notes that the U.S. Export-Import Bank requires case-by-case determination, whereas other countries make long term determinations about what type of exporters to assist, thus increasing access and efficiency. In addition, about 75 percent of European Community export subsidies are for high-value products compared to about 10 percent for the United States (GAO, 1992).

SURVEY OF SMALL AND MEDIUM FIRMS

The goal of this project was to improve public export assistance services to rural and agricultural firms in the Northern Plains. The information from this research will assist in planning and targeting public export assistance to maximize the export potential of these smaller rural firms.

The first objective was to analyze the export assistance needs of small and medium rural and agricultural firms operating in the Northern Plains region at different stages of the export or internationalization process. All manufacturing and technology firms in North Dakota, South Dakota, and northwestern Minnesota were surveyed by mail (Appendix A). Approximately 1200 firms were mail a questionnaire in the Northern Plains region. Existing state directories were used to determine the firms that were surveyed. Even though the target population was small and medium rural and agricultural firms, it was not feasible to exclude large firms *a priori*. Therefore, a few of the 263 useable responses were from large firms.

The second objective of the study was to identify available export assistance and promotion services offered at the federal and state levels to meet the needs of small and medium rural and agricultural firms. The third objective was to identify factors that may increase the effectiveness of export assistance programs.

The remainder of this report presents the results of the survey and is organized into five sections.

- a general description of the respondent firms,
- a discussion of firms which exported in the past, but are not exporting,
- a discussion of firms that are not exporting, including firms that exported in the past,
- a discussion about firms that are exporting, and
- several comparisons between exporting firms and non-exporting firms.

Even though the last section of the report focuses on comparing exporting firms and non-exporting firms, other factors that may influence whether a firm exports are analyzed in each section. However, because of the multiple correlation among the types of firms, it is not possible to compare responses among manufacturing firms, agricultural firms, and the other types of firms (Appendix B).

General Description of Respondent Firms

About 37 percent (98 of 263 firms) of the responding firms are exporting (Table 1). Fifty-six percent of the firms (148 firms) have never exported, while 6 percent of the responding firms (15 firms) exported in the past, but are not exporting.

Table 1. Number of Respondent Firms Exporting and Not Exporting, Including Firms that Exported in the Past, Northern Plains, 1996

	Number of Firms	Percent of Total
Exporting	98	37
Not Exporting		
Exported in past but not exporting	15	6
Never exported	148	56
Did not reveal past exporting activity	<u>2</u>	<u>1</u>
Total Not Currently Exporting	<u>165</u>	<u>63</u>
Total	263	100

Table 2 presents information about gross sales (for 1995), number of employees, years in business, and type of business for the respondent firms. The information also is categorized by whether the firm is exporting.

There are some differences between exporting firms and those that do not export. For example, 93 percent of small firms (those with gross sales in 1995 of less than \$100,000) were not exporting. In comparison, approximately half of the firms with 1995 gross sales in excess of \$500,000 were exporting, as were eighty percent of the firms with gross sales in excess of \$100,000,000. In general, the larger the firm's gross sales, the more likely the firm was involved in exporting.

Table 2. Gross Sales in 1995, Number of Employees, Years in Business, and Primary Nature of Business of Respondent Firms, Northern Plains

Item	Exporting		Not Exporting		Total Number of Firms
	Number of Firms	Percent of Category	Number of Firms	Percent of Category	
Gross sales in 1995					
\$100,000 or Less	3	7	39	93	42
\$100,001 - \$500,000	15	31	34	69	49
\$500,001 - \$1,000,000	12	43	16	57	28
\$1,000,001 - \$5,000,000	28	48	30	52	58
\$5,000,001 - \$10,000,000	8	40	12	60	20
\$10,000,001 - \$50,000,000	13	59	9	41	22
\$50,000,001 - \$100,000,000	6	67	3	33	9
More than \$100,000,000	5	83	1	17	6
No answer	8	28	21	72	29
Number of employees					
0 - 5	15	17	73	83	88
6 - 10	9	22	32	78	41
11 - 20	16	46	19	54	35
21 - 50	23	59	16	41	39
51 - 100	10	56	8	44	18
More than 100	24	67	12	33	36
No answer	1	17	5	83	6
Number of years in business					
0 - 5	7	24	22	76	29
6 - 10	25	54	21	46	46
11 - 20	15	24	47	76	62
More than 20	51	42	70	58	121
No answer	--	0	5	100	5
Primary nature of firm					
Manufacturing/durables	68	53	60	47	128
Wholesale	22	39	35	61	57
Retail	13	25	38	75	51
Service	6	15	33	85	39
Agri-products/sales, food	12	40	18	60	30
Agri-products/sales, nonfood	12	46	14	54	26
Mining/construction	2	11	16	89	18
Printing/publishing	3	21	11	79	14
Other	<u>1</u>	<u>14</u>	<u>6</u>	<u>86</u>	<u>7</u>
Total	98		165		263

Totals may not add due to "No Answer" to exporting question.

Even though larger firms are more likely to export, export sales still account for less than 50 percent of total sales for nearly all firms. Furthermore, for 71 percent of the exporting firms (70 of 98 exporting firms), export sales account for less than 10 percent of the firm's total sales. Export sales account for less than 20 percent of total sales for 84 percent of the exporting firms (82 of 98 firms). For 98 percent of the exporting firms (96 of 98 firms), export sales account for less than 50 percent of total sales. The data reveal that the domestic market is still the driving force for all but one of these firms.

Similarly, firms with less than 10 employees generally do not export. In comparison, 2/3 of the responding firms with more than 100 employees are exporting. In general, the more employees a firm has, the more likely the firm will be exporting.

Even though larger firms (whether measured in terms of gross sales or number of employees) are more likely to be involved in exporting, a few small firms were exporting. This indicates that size does not prevent a firm from exporting. The export market is not limited to large firms. Thus, one of the questions to be considered as the survey results are interpreted is what prevents small firms from exporting. In fact, small firms may be able to fill niche export markets that larger firms are unwilling or unable to explore.

The number of years the firm has been in business does not provide a good indicator of whether the firm exports. For example, firms that have been operating 6 to 10 years and more than 20 years are twice as likely to export than new firms (less than 5 years of operation) and those that have been in business for 10 to 20 years. The reason for this pattern in the responses is not obvious.

The type of product influences whether the firm is exporting. Those which produce a product that can be transported are more likely to export, whereas firms that produce a product or service that cannot be transported are not likely to be exporting. This latter category includes mining, services, printing, and retail. Fifty-three percent (68 of 128) of durable goods manufacturers are exporting. The remaining categories of business types have less than 50 percent of the firms exporting. The other major export categories were agri-products sales (food and nonfood) (43 percent) and wholesale (39 percent). Manufacturing and agriculture are major players in this region's export activities, and firms looking to export will most likely fall into these categories. However, exporting is not limited to these few types of firms.

Firms Which Exported in the Past but Are Not Exporting

Six percent of the responding firms (15 firms) reported having exported in the past, but are not exporting now. The reasons provided for terminating export activities include no longer exporting (the contract was fulfilled, and no other exports were pursued), market changes, and previous problems with exporting (Table 3).

Table 3. Reasons for No Longer Exporting by Northern Plains Firms Which Exported in the Past, 1996

Reason	Number	
	of Firms	Percent
No longer exporting	6	40
Market changes	3	20
Problems exporting	3	20
Other reasons	2	13
No reason provided	<u>1</u>	<u>7</u>
Total	15	100

This is a small number (15 firms) but it indicates that firms can change and that exporting, once started, does not have to be continued for the business to remain in operation. That is, these firms continue to operate even though their export activity has terminated. Just as domestic markets change and firms shift their focus, so can exporting firms shift back to an exclusively domestic market. Managers should not be concerned that entering a foreign market requires that the firm will always need to export. However, the data does not reveal the extent to which firms have gone out of business once their foreign markets decline.

Firms Which Are Not Exporting

This section of the report addresses firms that are not exporting, including the firms that have exported in the past. Sixty-three percent (165 of 263 firms) of the responding firms are not exporting (Table 1). About 90 percent of these firms never exported (148 of 165 firms), whereas 10 percent exported in the past, but are no longer exporting (15 of 165 firms).

Seventy percent of the firms not exporting (116 firms) are not interested in exporting (Table 4). However, 29 percent (47 firms) are somewhat or very interested in developing an export market. This suggests that a majority of firms not involved in exporting have decided to exclusively serve a domestic market. The corollary is that nearly 18% of all responding firms (47 of 263) are interested in developing an export market but have not done so. This is a substantial portion of the region's businesses and could have a positive impact on the region's economy if there is a way to facilitate exporting. An unanswered question, however, is whether there are foreign buyers who are interested in these firms' products or services.

The need to understand the scope of foreign markets and the process of exporting leads to the presumption that a firm cannot begin exporting without researching opportunities and planning. However, only 6 percent of the non-exporting firms (10 firms) have done any export planning or research. Of these ten firms, three described themselves as very interested in exporting, five indicated that they were somewhat interested in exporting, and two firms were not interested in exporting. Why these two firms that are not interested in exporting performed

Table 4. Interest in Exporting and Export Research or Planning Efforts by Northern Plains Firms Not Exporting, 1996 (165 Responses)

	Number	Percent
<u>Interest in Exporting</u>		
Very interested	9	6
Somewhat interested	38	23
Not interested	116	70
No answer	<u>2</u>	<u>1</u>
Total	165	100
<u>Research/Planning Effort</u>		
Have conducted export research/planning	10	6
Have not done export research/planning	152	92
No answer	<u>3</u>	<u>2</u>
Total	165	100

export research or planning is not clear. Maybe they were interested in exporting until they had completed their research or planning and then abandoned the idea of entering the export market. Similarly, the results of the research and planning may have made most of these ten firms cautious about exporting, or they may not have had the time to begin exporting since conducting their research or planning.

Why more firms have not taken these initial steps to develop an export market is unknown. This is especially interesting for the 39 firms that describe themselves as very or somewhat interested in exporting. It may be that they do not feel comfortable with the process of researching an international market. Clearly, any government program intended to encourage firms to develop new export opportunities must be directed toward firms interested in exporting.

From this information, we do not know whether export research or planning are necessary to export. There are firms in the region that are exporting but have not researched or planned their export activities. Likewise from this information, we do not know why the interested firms have not planned or done research on export opportunities.

Information about the reasons to research and plan before exporting and some educational material on how to research or plan for an export opportunity may be one way to assist the interested firms.

Exporting Firms

There were 98 respondents (37 percent of all responding firms) whose firms were currently exporting (Table 1). Forty-five percent of the firms have been exporting for no more than 7 years while 16 percent of the firms have been exporting for more than 20 years (Table 5).

Table 5. Years Exporting and Percent of Total Sales Derived from Exports for Northern Plains Firms That Are Exporting, 1996 (98 Responses)

	Number of Firms		Total
	1 - 7 Years Exporting	> 7 Years Exporting	
<u>Years Exporting</u>			
1 - 3 years	22		
4 - 7 years	<u>22</u>		
<i>Subtotal 1 - 7 years exporting</i>	44		44
8 - 10 years		17	
11 - 20 years		20	
More than 20 years		<u>16</u>	
<i>Subtotal > 7 years exporting</i>		53	53
No answer			<u>1</u>
Total			98
	1 - 7 Years Exporting	> 7 Years Exporting	Total
<u>Total Sales</u>			
Less than 10 percent of total sales	35	35	70
11 - 20 percent of total sales	4	8	12
21 - 50 percent of total sales	5	9	14
More than 50 percent of total sales	–	1	1
No answer	<u>–</u>	<u>–</u>	<u>1</u>
Total	44	53	98

The data do not reveal whether the large number of firms that began exporting (22 firms in the past 3 years) is greater than in the past, or whether the smaller number of firms that have been exporting for longer periods is due to firms discontinuing past exporting operations or having gone out of business.

The longer a firm exports (more than 7 years), the more likely exports will comprise a larger percent of the firm's total sales. This indicates that exporting may need to grow to remain feasible. Alternatively, it may indicate that export market opportunities expand with experience and that firms expecting to export must expend the initial effort, rather than wait for the opportunity to come to them. However, most firms in the region rely on contacts from buyers as the impetus to begin exporting. This apparent contradiction may warrant additional investigation.

The data also suggest that most firms which initiate export activities should not expect the new market to immediately become a major part of its business. Instead, it appears that it takes several years of exporting experience before a firm can expect exports to substantially expand its

market size. Also, except for one firm, exports do not play a major role for the firms locating in the survey area (Table 2).

For most of the firms (70), exports accounted for no more than 10 percent of the firm's sales. About 25 percent of the firms reported that exports account for 11 to 50 percent of total sales. Only one firm indicated that exports account for more than 50 percent of its sales (Table 5).

Export Markets

Table 6 presents information on the number of firms and number of years the firms have been exporting to various countries or regions of the world. Canada is the largest trading partner for the responding firms; 87 of the 98 firms export to Canada. Mexico and England appear to offer new market opportunities, or it could be that exporting opportunities with those two nations are short-lived. The first explanation may be more accurate. Japan, Germany, and France (like Canada) have provided longer-term market opportunities for some firms.

An increasing number of firms are exporting to Mexico, England, South America, Germany, France, Ireland, Japan, and Pacific Islands. The cause for the increase is unknown. One can only speculate as to the impact trade policy, stable relations, and general growth in the region's economies has on the number of firms entering these markets.

Factors Causing Firms to Initiate Exporting

Factors which prompted the firm to begin exporting include having been contacted by a foreign buyer, attending a trade show, developing export opportunities, and receiving leads from various sources (Table 7). Seventy-seven percent of exporting firms (75 of 98 firms) export because they were contacted by a foreign buyer. Thirteen percent of exporting firms (13 of 98 firms) were exporting as the result of a private or public trade lead. Twenty-one firms were exporting as a result of having attended a trade show. Only 16 firms were exporting as a result of their own research or efforts to contact a foreign buyer.

Most firms rely on export opportunities to be presented to them. This seems consistent with non-exporting firms (Table 4) because most firms are not aggressively researching or pursuing export opportunities. An educational effort to assist business managers recognizes export opportunities may be more beneficial than explaining how to develop an export market.

The responses also may indicate that firms need to begin exporting to gain some experience rather than relying solely on research to determine whether they will export. However, the strategy of relying on experience will require that the firm evaluate whether to continue exporting, rather than deciding whether to begin exporting.

Table 6. Number of Respondent Firms Exporting to Various Regions or Countries
Sorted by Number of Years Exporting, Northern Plains, 1996 (98 Responses)

Region or Country	Number of Firms					Total
	1-3 Years	4-7 Years	8-10 Years	11-20 Years	More than 20 Years	
<i>North America</i>						
Canada	18	21	18	18	12	87
Mexico	10	7	6	2	3	28
Caribbean Island	2	--	1	--	1	4
Central America	--	--	--	--	2	2
<i>South America</i>	2	2	1	1	2	8
<i>Europe</i>						
England	13	10	6	3	5	37
Germany	8	8	6	6	4	32
France	7	8	6	1	3	25
Ireland	3	2	1	--	2	8
Russia *	1	1	--	--	--	3
Former East Block & CIS *	--	1	--	--	1	3
Scandinavian	2	1	--	--	--	3
Spain	--	--	1	1	--	2
Italy	--	--	--	--	1	1
Miscellaneous *	--	--	--	--	--	1
<i>Asian & Pacific Island</i>						
Japan	9	5	6	5	5	30
Pacific Island	7	5	1	2	2	17
Australia & New Zealand	2	1	2	--	--	5
Miscellaneous *	1	2	--	--	--	4
<i>Middle East</i>	9	4	4	4	3	24
<i>Other Regions</i>	3	--	--	--	--	3

* Subcategories do not add up to the total due to firms reporting the country but not the number of years exporting.

Research and Planning Before Exporting

A common assumption is that firms must prepare or plan to develop an export market. Respondents were asked to identify the type of planning they conducted in preparing to initially

Table 7. Factors That Prompted Northern Plains Firms to Initially Export, 1996

Factor	Number of Firms		
	Total	1 - 7 Years Exporting	> 7 Years Exporting
Contacted by foreign buyer	75	34	41
Attended trade show	21	8	13
Conducted research and contacted foreign buyer	16	8	8
Received lead from trade association or private source	10	5	5
Received trade lead from U.S. government	<u>3</u>	<u>2</u>	<u>1</u>
Total	98	57	68

*Subcategory totals do not sum to total due to multiple responses by firms.

export (Table 8) as well as expand their export activities (Table 9). More firms identified documentation, relative to any other issue, as the area in which they conducted the most research and planning. The remaining activities were each addressed by a similar number of firms.

Firms made some effort to plan their export activity, but few planned in all categories. Documentation appears to be the biggest category for planning. No more than 12 firms made a major effort to plan in any one category before exporting and no more than 9 firms in follow-up exports. Between 15 and 22 firms made some but not a major effort in planning in any one category before exporting and between 8 and 16 firms in follow-up exports. Forty-eight to 58 firms made no planning efforts in any category before exporting, and 60 to 68 firms made no such efforts before expanding exports.

The more experienced exporting firms indicated having developed a plan. There are two possible reasons for firms that have been exporting for a longer time. The first is that for exports to remain feasible, they needed to develop a plan to continue exports. The other is that as they developed their exports, they encountered barriers that needed to be solved, and research and planning helped to overcome these barriers. The percent of firms not planning is consistent with the 77 percent of the firms that were contacted by a foreign buyer.

In general, the firms that have been exporting the longest were more likely to have developed a plan. Overall, however, the level of planning is less than expected. This may indicate that 1) there is no need to address all issues during the planning process (addressing only a few issues is adequate), 2) experience diminishes the need to plan (which could explain why more firms did some planning before exporting (61 firms) as compared to the number of firms (38) which planned before expanding exports), or 3) having been contacted by a foreign buyer (as reported in Table 7) reduces the need to research or plan.

Table 8. Level of Planning by Northern Plains Before Initially Exporting, 1996

Item	Number of Firms				
	Major Effort	Some Effort	Very Little Effort	No Effort*	No Answer
<i>Market Demand Research</i>					
Total	8	18	12	58	2
Exporting 1-7 years (n = 44)	2	8	5	29	–
Exporting >7 years (n = 53)	6	10	7	29	1
<i>Competition Analysis</i>					
Total	6	20	13	57	2
Exporting 1-7 years (n = 44)	2	7	7	28	–
Exporting >7 years (n = 53)	4	13	6	29	1
<i>Budget/Financial analysis</i>					
Total	10	16	12	58	2
Exporting 1-7 years (n = 44)	4	8	4	28	–
Exporting >7 years (n = 53)	6	8	8	30	1
<i>Packaging</i>					
Total	6	15	20	55	2
Exporting 1-7 years (n = 44)	2	8	10	24	–
Exporting >7 years (n = 53)	4	7	10	31	1
<i>Product adaptation</i>					
Total	11	18	13	54	2
Exporting 1-7 years (n = 44)	4	9	4	27	–
Exporting >7 years (n = 53)	7	9	9	27	1
<i>Documentation</i>					
Total	12	22	14	48	2
Exporting 1-7 years (n = 44)	5	12	7	20	–
Exporting >7 years (n = 53)	7	10	7	28	1

*There were 37 firms (38 percent of exporting firms) that did not do any planning before initially exporting.

Plans to Expand Export Markets

The percent of exporting firms planning to enter new export markets is about the same regardless of how many years the firm has been exporting (Table 10). The less experienced exporting firms tend toward more traditional markets (Europe, South and Central America, and Mexico). The firms with more export experience are considering a broader range of export markets.

Both groups have firms that indicated a willingness to enter any “global” market. Although this indicates a willingness to consider nontraditional opportunities, it also may indicate a willingness to react rather than plan to be proactive. Accepting a reactive role may be a cause for concern in this region (an area that depends on exports of its agricultural

Table 9. Level of Planning by Northern Plains Firms Before Entering Additional Export Markets, 1996

Item	Number of Firms				
	Major Effort	Some Effort	Very Little Effort	No Effort*	No Answer
<i>Market Demand Research</i>					
Total	7	9	13	67	2
Exporting 1-7 years (n = 44)	1	1	8	34	–
Exporting >7 years (n = 53)	6	8	5	30	1
<i>Competition Analysis</i>					
Total	7	12	9	68	2
Exporting 1-7 years (n = 44)	1	3	6	34	–
Exporting >7 years (n = 53)	6	9	3	34	1
<i>Budget/Financial Analysis</i>					
Total	9	8	12	67	2
Exporting 1-7 years (n = 44)	4	1	5	34	–
Exporting >7 years (n = 53)	5	7	7	33	1
<i>Packaging</i>					
Total	6	11	13	66	2
Exporting 1-7 years (n = 44)	4	4	3	33	–
Exporting >7 years (n = 53)	2	7	10	33	1
<i>Product Adaptation</i>					
Total	9	12	9	66	2
Exporting 1-7 years (n = 44)	2	5	4	33	–
Exporting >7 years (n = 53)	7	7	5	33	1
<i>Documentation</i>					
Total	9	16	11	60	2
Exporting 1-7 years (n = 44)	3	5	5	31	–
Exporting >7 years (n = 53)	6	11	6	29	1

*There were 60 firms (61 percent of exporting firm) that did not do any planning before expanding exports.

commodities) because firms may lose market share to other proactive firms outside the surveyed area. Firms, especially those with some export experience, may find it better to pursue markets, rather than wait for buyers to come to them. Again, an understanding of export opportunities may need to be the initial issue if the region is to expand its export activities.

Overall, firms have plans for new export markets in Europe, Pacific Rim, South America, and China. However, the largest number of firms intending to expand exports do not indicate specific markets (i.e., global markets). Traditional markets are the major exporting targets while a few firms are venturing into nontraditional export markets, such as Africa.

Table 10. Number of Exporting Northern Plains Firms Planning to Enter New Export Markets, 1996

Item	Number of Firms		
	Total	Exporting 1 - 7 Years	Exporting > 7 Years
<i>Plan to Enter New Markets</i>			
Europe	12	6	6
Pacific Rim	11	2	9
South America	9	5	4
China	7	1	6
Mexico & Central America	4	3	1
Africa	3	2	1
Canada	3	2	–
Australia & New Zealand	2	2	–
India	2	1	1
Other Asian Markets	3	–	3
Other Markets	<u>16</u>	<u>7</u>	<u>8</u>
Subtotal*	55	26	29
Percent of Category	(56%)	(59%)	(55%)
<i>Do Not Plan to Enter New Markets</i>			
	42	18	24
<i>No Answer</i>			
	<u>1</u>	<u>--</u>	<u>--</u>
Total	98	44	53

* Sum of items does not equal subtotal due to multiple responses.

Use of Government-Sponsored Services

Firms exporting more than seven years were more likely to seek government services (Table 11), possibly because their exports grew to a point where they needed more management skills or the firms used government services to expand their exports. They also may be in a position to better understand the information and their needs after gaining experience in the export markets.

Most firms did not seek government services. Seventy-nine percent of exporting firms (77 of 98 firms) did not seek government-sponsored services in planning or implementing export activities. The two major reasons (Table 12) were “no knowledge of the service” (33 of 77 firms, [43 percent]) and “not useful” (28 of 77 firms [36 percent]). Other reasons mentioned for not using government services were “have not needed to use them,” “parent company does the contacts,” “cost or problems in the past with government,” and “do not trust the government/no real world knowledge.” It is not obvious whether an increased awareness of government services would increase use of government-sponsored services. Most respondents who did not use government export services had no knowledge of their availability nor did they consider the information to be useful.

Table 11. Number of Exporting Northern Plains Firms that Used Government-Sponsored Services in Planning or Implementing Export Activities, 1996

Response	Number of Firms		
	Total	Exporting 1 - 7 Years	Exporting > 7 Years
Yes	20	7	13
No	77	37	40
No answer	<u>1</u>	<u>—</u>	<u>—</u>
Total	98	44	53

Numbers may not add due to “no answer” to exporting question.

Table 12. Reasons Exporting Northern Plains Firms Did Not Seek Government Services, 1996 (77 Responses)

Response	Number of Firms		
	Total	Exporting 1 - 7 Years	Exporting > 7 Years
No knowledge of them	33	18	15
Not useful	28	9	19
Have not needed to use	5	3	2
Parent company does the contacts	4	—	4
Cost/Problems in the past	2	1	1
Do not trust government/no real world knowledge	2	1	1
Not available	1	—	1
No answer provided	<u>5</u>	<u>5</u>	<u>—</u>
Total	77	37	40

Twenty percent of exporting firms (20 of 98 firms) use government-sponsored services in planning or implementing export activities (Table 13). The most frequently used service was the Department of Commerce International Trade Administration (80 percent of the exporting firms that used a government service that office [16 of 20 firms]). Other types of government services were used by 4 to 8 firms.

Other Informational Sources Used in Exporting

Trade or industry associations were the most frequently used private source with 36 percent of the firms (34 of 98 firms) utilizing their assistance (Table 14). Ten to 20 firms used

Table 13. Types of Government-Sponsored Services Used by Exporting Northern Plains Firms in Planning and Implementing Export Activities, 1996 (20 Responses)

Type of Government Service	Number of Firms			
	Used Extensively	Used Some	Used Very Little	Did Not Use
<i>U.S. Department of Commerce, International Trade Administration</i>				
Total	1	11	4	4
Exporting 1-7 years (n = 7)	–	3	3	1
Exporting >7 years (n = 13)	1	8	1	3
<i>Small Business Administration</i>				
Total	–	1	5	14
Exporting 1-7 years (n = 7)	–	–	3	4
Exporting >7 years (n = 13)	–	1	2	10
<i>Export-Import Bank</i>				
Total	1	2	4	13
Exporting 1-7 years (n = 7)	1	–	1	5
Exporting >7 years (n = 13)	–	2	3	8
<i>U. S. Department of Agriculture</i>				
Total	2	3	2	13
Exporting 1-7 years (n = 7)	1	1	–	5
Exporting >7 years (n = 13)	1	2	2	8
<i>State Department of Agriculture</i>				
Total	3	2	3	12
Exporting 1-7 years (n = 7)	1	–	2	4
Exporting >7 years (n = 13)	2	2	1	8
<i>Small Business Development Centers</i>				
Total	–	3	1	16
Exporting 1-7 years (n = 7)	–	2	–	5
Exporting >7 years (n = 13)	–	1	1	11
<i>Universities</i>				
Total	1	4	2	12
Exporting 1-7 years (n = 7)	–	2	2	3
Exporting >7 years (n = 13)	1	2	–	9

the remaining private sources. Even fewer firms used private sources to implement their export activities. Trade and industry associations again led the private sources used. A majority of the firms did not use much information from trade or industry associations, international newspapers, the Internet, hired private consultants, nor banks for both planning and implementing export activities. Awareness of available services from public and private sources may be needed for firms to use them in planning and implementing their export activities.

Table 14. Other Information Sources Used by Exporting Northern Plains Firms in Planning and Implementing Export Activities, 1996 (98 Responses)

Information Source	Number of Firms									
	Number of Firms					Number of Firms				
	Planning					Implementing				
	Used Extensively	Used Some	Used Very Little	Did Not Use	No Answer	Used Extensively	Used Some	Used Very Little	Did Not Use	No Answer
<i>Trade or Industry Association</i>										
Total	7	16	11	61	3	5	11	6	73	3
Exporting 1-7 years (n = 44)	2	4	4	33	1	1	2	2	38	1
Exporting >7 years (n = 53)	5	12	7	28	1	4	9	4	35	1
<i>International Newspaper</i>										
Total	1	7	1	85	3	1	5	1	88	3
Exporting 1-7 years (n = 44)	–	2	–	40	1	–	1	1	41	1
Exporting >7 years (n = 53)	1	5	1	45	1	1	4	–	47	1
<i>Internet</i>										
Total	1	4	1	89	3	–	5	1	89	3
Exporting 1-7 years (n = 44)	1	–	–	42	1	–	–	–	43	1
Exporting >7 years (n = 53)	–	4	1	47	1	–	5	1	46	1
<i>Hired Private Consultant</i>										
Total	–	3	8	84	3	–	3	7	85	3
Exporting 1-7 years (n = 44)	–	1	3	39	1	–	1	1	41	1
Exporting >7 years (n = 53)	–	2	5	45	1	–	2	6	44	1
<i>Banks</i>										
Total	2	9	6	78	3	2	5	5	83	3
Exporting 1-7 years (n = 44)	1	5	1	36	1	–	2	–	41	1
Exporting >7 years (n = 53)	1	4	5	42	1	2	3	5	42	1

Since many firms did not develop an export plan (as reported in Tables 8 and 9), we should not expect them to indicate that they rely on an informational source to develop a plan. While these responses may not provide much insight into sources used by the 98 firms that are exporting, some observations can be made about approximately 40 firms which did some type of planning.

Trade or industry associations were the most used source for information to plan and implement export activities for those firms which did some planning (Table 15). Banks were the next most used source. The Internet was the least used source for information, possibly because of lack of access to the world wide web or a lack of knowledge on how to get information via the Internet. Even among firms which did some type of planning, these five sources were not used extensively at the time of the survey.

Table 15. Information Sources Used in Export Activities For Northern Plains Firms That Did Planning, 1996 (Tables 8 and 9)

Information Source	Number of Firms			
	Used Extensively	Used Some	Used Very Little	Did Not Use
Planning Export Activities				
Trade or industry assoc.	4	11	6	15
International newspapers	2	7	1	28
Internet	--	3	1	36
Private consultant	2	2	7	27
Bank	2	6	6	22
Implementing Export Activities				
Trade or industry assoc.	2	9	4	21
International newspapers	--	5	1	30
Internet	--	4	1	31
Private consultant	--	1	5	30
Bank	1	4	4	27

Comparisons Between Exporting and Non-exporting Firms

A goal of government-sponsored export assistance programs is to encourage and facilitate firms that are seeking to expand their export markets. In this section, comparisons are made between selected characteristics of firms that are exporting and firms that are not exporting. The intent is to use the similarities and differences among exporting and non-exporting firms to understand export assistance programs can be revised or redirected.

One issue to consider is whether exporting firms approach the opportunity to participate in foreign markets more aggressively than non-exporting firms. For example, do exporting firms conduct more research and planning than non-exporters? Do they use different sources of information? Based on the low number of non-exporting firms that conduct research or planning

(Table 4), the factors that prompted firms to begin exporting (Table 7), and the low level of research and planning by exporting firms, it appears that there is little difference between exporting and non-exporting firms on this question.

The non-exporting firms are not researching export opportunities, the exporting firms did not research or plan before exporting, and many exporting firms report that they started exporting after being contacted by a foreign buyer (that is, the exporting firm did not initiate the transaction) (Table 16). The responses indicate that firms appear to react to export opportunities rather than to seek or develop such markets.

Eighty-one percent (81 of 100 firms) which received an unsolicited trade lead received the lead from a foreign buyer (Table 16). Twenty-one firms received more than 10 trade leads, 19 firms received six to ten trade leads, and 41 firms received as many as five trade leads from foreign buyers. Thirty-four percent (34 of 100 firms) received an unsolicited international trade lead from a trade association. Twenty-one percent (21 of 100 firms) received an unsolicited international trade lead from a government publication. The most likely reason why firms do not use the sources of information suggested in the survey was because most firms are not actively seeking export markets.

Foreign buyers led the way in initiating export activities among the firms surveyed. This may indicate that the state or local governments in the surveyed area may want to work with foreign companies to increase exports. The strategy may be to influence the buyers as much as work to encourage the sellers.

Employee Experience

Half of the exporting firms (52 of 98) have employees with previous foreign experience (Table 17). In comparison, only 12 percent of firms not exporting have employees with previous foreign experience. These responses, however, do not reveal whether there is a “cause and effect” relationship between the employees’ previous experiences and whether the firm is exporting.

In comparison, the remaining firms which are exporting (46 of 98) do not have any employees with previous foreign experience. This indicates that the lack of foreign experience is not an insurmountable obstacle to exporting. The necessary experience can be learned or acquired by means other than having to hire an employee with previous foreign experience (perhaps such as working with an export consulting firm).

Sixty-seven percent of all firms (176 of 263 firms) indicated they do not have an employee with foreign experience (business or pleasure). Twenty-eight percent of all firms (73 of 263 firms) had an employee with foreign experience. Seventy-three percent of all firms with employees with foreign experience have the experience in foreign travel. Sixty-three percent (46 of 73 firms) have employees with previous export experience.

Table 16. Sources and Number of Unsolicited International Trade Leads Received by Northern Plains Firms, 1996

	Number of Firms			
	Total	1 to 5 Leads	6 to 10 Leads	More than 10 Leads
Received Leads				
Total	100			
Exporting	73			
Not Exporting	27			
<i>Source of Trade Lead:</i>				
Foreign buyer				
Total	81	41	19	21
Exporting	65	26	19	20
Not Exporting	16	15	–	1
Trade Association				
Total	34	27	4	3
Exporting	24	18	3	3
Not Exporting	10	9	1	–
Government publication				
Total	21	15	6	–
Exporting	15	10	5	–
Not Exporting	6	5	1	–
Trade show or publication				
Total	2	2	–	–
Exporting	2	2	–	–
Not Exporting	–	–	–	–
Buyers				
Total	2	2	–	–
Exporting	2	2	–	–
Not Exporting	–	–	–	–
Government				
Total	1	1	–	–
Exporting	–	–	–	–
Not Exporting	1	1	–	–
Received No Leads				
Total	149			
Exporting	24			
Not Exporting	125			

Table 17. Number of Northern Plains Firms with Employees Having Foreign Experience, 1996

	Number of Firms		Total
	Exporting	Not Exporting	
Foreign travel experience	37	16	53
Previous export experience	39	7	46
Foreign language experience	15	6	21
Company developed experience	2	1	3
Parent/associated companies have experience	1	1	2
Miscellaneous foreign experience	1	1	2
Total foreign experience*	52	21	73
No foreign experience	46	130	176
Did not respond		14	14

*Total is less than sum of categories due to multiple responses

Twenty-nine percent (21 of 73 firms) have an employee with foreign language. A majority of firms do not have any employee with foreign experience. This may explain why a majority of firms are not interested in exporting. Of the firms with employees with foreign experience, only the previous export experience would be of immediate benefit to the employer.

Perceptions About Export Barriers

Another question to be explored is whether non-exporting firms have a different perception about the barriers to exporting than do exporting firms. A scoring method was used to determine which barriers were most critical to the firms (Table 18). A firm is given a score of three if a barrier is important, two for important but not a major concern, one for somewhat important barriers, and zero for barriers considered to be unimportant. The composite score is a weighted average of the 204 firms that responded to this question.

According to the composite score, trade barriers and tariffs are the most important export barrier (Table 18). Finding information on foreign markets and export documentation were the next two most important export barriers. Finding sufficient capital was the least important export barrier, possibly because firms have not reached the point in their research of determining how to finance their export activities. Education on how to overcome or minimize the effect of these barriers may be of greatest value to firms considering exporting. The data do not reveal much information because the barriers differ depending on whether the firm is exporting.

Most important among exporting firms were trade barriers, foreign competition, and export documentation. This is a place where educators, government officials, or private consultants could help firms that are not exporting. These firms may not be aware of resources that public and private organizations have and how this information can be used in their business activities. Least important among exporting firms were sufficiency of capital, export and international financing, and management of export operations. These firms have proceeded past

Table 18. Importance of Export Barriers in Northern Plains Firms' Decision Whether to Export, 1996 (206 Responses)

	Number of Firms				Composite Score
	Very Important; Major Concern (3)	Important but not a Major Concern (2)	Somewhat Important (1)	Not Important (0)	
<i>Foreign Competition</i>					
Total	37	34	37	96	1.06
Exporting	24	19	17	35	1.34
Not Exporting	13	15	20	61	.82
<i>Finding Information on Foreign Markets</i>					
Total	51	44	26	83	1.31
Exporting	17	24	17	37	1.22
Not Exporting	34	20	9	46	1.39
<i>Management of Export Operations</i>					
Total	43	44	29	88	1.21
Exporting	14	23	21	37	1.15
Not Exporting	29	21	8	51	1.26
<i>Insufficient Capital</i>					
Total	35	30	32	107	.97
Exporting	14	13	17	51	.89
Not Exporting	21	17	15	56	1.03
<i>High Cost of Exporting</i>					
Total	48	38	33	85	1.24
Exporting	19	20	20	36	1.23
Not Exporting	29	18	13	49	1.25
<i>Trade Barriers and Tariffs</i>					
Total	59	41	25	79	1.39
Exporting	26	23	15	31	1.46
Not Exporting	33	18	10	48	1.33
<i>Export and International Financing</i>					
Total	38	34	35	97	1.06
Exporting	16	13	20	46	.99
Not Exporting	22	21	15	51	1.13
<i>Currency Fluctuations</i>					
Total	41	50	27	86	1.23
Exporting	19	22	15	39	1.22
Not Exporting	22	28	12	47	1.23
<i>Export Documentation</i>					
Total	44	52	28	80	1.29
Exporting	20	24	19	32	1.34
Not Exporting	24	28	9	48	1.26

the initial research and planning and have been exporting for awhile and, therefore, may have encountered obstacles to maintaining or increasing exports.

Most important among firms non-exporting was finding information on foreign markets, trade barriers, and tariffs. Least important among non-exporting firms was foreign competition and sufficiency of capital. The greatest difference among exporting firms and non-exporting firms was the importance of foreign competition; exporters appear to have learned something that non-

exporters may not recognize. The greatest agreement was on currency fluctuations and cost of exporting. None of these factors were more than somewhat important.

Need for Public Sector Export Services

A scoring system similar to the one described in the preceding section was used to rank the responses about the firms' need for public sector export services. According to the composite score generated, obtaining trade leads is the greatest service needed in deciding whether to export (Table 19). This is consistent with the 77 percent of the firms which were contacted by a foreign buyer when exports were started. Local agents and distributors and export documentation assistance were the next most needed services.

The composite score of responses by exporting firms was higher in all categories than those of non-exporting firms. This suggests that firms may recognize the need for more assistance once they gain export experience. Assistance in obtaining trade leads, local agents and distributors, and export documentation assistance were most needed by both categories of firms. The types of assistance that firms would use least often were hosting foreign buyers, coordinating trade shows, providing support for trade shows, and providing educational programs. Most firms indicated that they do not need or only somewhat need the types of export assistance identified in the question. A small number of firms indicated a great need for export assistance.

SUMMARY AND CONCLUSIONS

The goal of this project was to improve public export assistance services to the rural and agricultural firms in the Northern Plains. The specific objectives were to 1) analyze the export assistance needs of small and medium rural and agricultural firms, 2) identify available export assistance and promotion services offered at the federal and state levels to meet the needs of small and medium rural and agricultural firms, and 3) identify factors that may increase the effectiveness of export assistance programs.

The results of the survey showed there was not much interest in government services. Thirty-seven percent of the firms surveyed were exporting, and 6 percent exported in the past but were not exporting now. Of the firms who were exporting, 77 percent were exporting because a foreign buyer contacted them while only 16 percent did their own research and contacted a foreign buyer. The primary assistance these firms wanted from the government was help in documenting their exports, which is required by law.

The main reasons firms did not seek government assistance were a lack of knowledge of the service and the service is not useful. These may be areas that educators can use to explain the value of the services being offered. The U.S. Department of Commerce, International Trade Administration was the most used government agency, but most firms used agency information only some or very little. The most often used non-government information sources were trade or industry associations and banks.

Table 19. Northern Plains Firms' Need for Services in Deciding Whether to Export, 1996 (203 Responses)

	Number of Firms				Composite Score
	Great Need, Would Use All of the Time (3)	Need, Would Use Often (2)	Somewhat Need, Would Use Occasionally (1)	Don't Need (0)	
<i>Market Research</i>					
Total	17	46	45	93	.94
Exporting	4	30	26	36	1.02
Not Exporting	13	16	19	57	.86
<i>Obtaining Trade Leads</i>					
Total	38	39	40	84	1.15
Exporting	20	20	26	30	1.31
Not Exporting	18	19	14	54	1.01
<i>Trade Show Coordinator</i>					
Total	11	30	49	111	.71
Exporting	7	18	28	43	.89
Not Exporting	4	12	21	68	.54
<i>Trade Show Support/Financial</i>					
Total	20	29	37	115	.77
Exporting	12	18	21	45	.97
Not Exporting	8	11	16	70	.59
<i>Hosting Foreign Buyers</i>					
Total	12	24	43	122	.63
Exporting	6	13	30	47	.77
Not Exporting	6	11	13	75	.50
<i>Local Agents & Distributor</i>					
Total	32	35	41	93	1.03
Exporting	14	17	32	33	1.13
Not Exporting	18	18	9	60	.94
<i>Export Documentation Assistance</i>					
Total	33	40	29	99	1.03
Exporting	16	23	18	39	1.17
Not Exporting	17	17	11	60	.91
<i>Export Financing</i>					
Total	24	26	39	112	.81
Exporting	15	9	25	47	.91
Not Exporting	9	17	14	65	.69
<i>Translation Services</i>					
Total	21	36	36	108	.85
Exporting	10	17	28	41	.96
Not Exporting	11	19	8	67	.75
<i>Education Programs & Workshop</i>					
Total	11	38	46	106	.77
Exporting	7	22	27	40	.96
Not Exporting	4	16	19	66	.60

Foreign buyers and trade associations were the two sources of unsolicited trade leads identified by the firms. Government publications also provided a good source of trade leads, which may be an area to expand to serve exporting firms.

Canada and Mexico were the countries the surveyed firms exported to most. The other markets were more traditional, such as England, Japan, Germany, and France. Plans for new exports remain primarily with the traditional countries, but some firms were looking at non-traditional countries or areas of the world, such as African and Pacific Rim countries. Forty-four percent of the firms did not plan to enter new markets.

Interest among the firms that are not exporting was low; only 6 percent were very interested and 23 percent somewhat interested in exporting. In addition, planning and research was low, even among firms very or somewhat interested in exporting. This may be an area of government assistance that could be implemented to educate and assist firms which want to research the feasibility of exporting.

The characteristics of the firms in the survey indicated that the larger the firm was with respect to total sales and total employees, the more likely it would be involved in exporting. Only one firm reported that exports comprised more than 50 percent of its total sales. Of the firms that are exporting, 71 percent indicated that exports accounted for less than 10 percent of sales. For these firms, exports did not make up a significant part of their business and, therefore, did not require the same attention as domestic markets.

One objective of the research was to evaluate the needs of small to medium firms with respect to exporting. These firms, according to the survey, export very little or do not export. Based on their size, the main problem for these firms may be that they have not fully expanded into the domestic market and, because of this, are not prepared to enter into foreign markets.

Manufacturers and wholesalers were the two kinds of firms that exported more than the other firms. In fact, manufacturers was the only category where more than 50 percent of the firms were exporting. The number of years in business was not a major factor in whether firms exported. The potential for increasing exports in the Northern Plains may be in working with the durable manufacturers to help them export or increase their exports, regardless of the size of the firm.

Several additional observations or conclusions that arose from the survey results include

- Developing an export market is a slow process, often taking years before the domestic market is second to foreign markets.
- Firms wait to be contacted rather than looking for export opportunities.
- The public sector might target its export assistance program through trade and industry associations since that is the firms' primary source for export information.
- Firms are not aware of assistance or have little confidence in it.
- The public sector does not need to provide capital for exporters; assistance to overcome obstacles, such as the extra documentation necessary when exporting,

may be the most beneficial. Likewise, helping interested firms to plan and research export opportunities may be beneficial.

- Government-sponsored export programs should emphasize building trust and credibility with firms.
- Government-sponsored export programs should target firms that are receptive or interested in exploring export opportunities.

Based on these conclusions, policy makers should emphasize programs that complement efforts of private organizations and that target the needs and interests of the firms.

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APPENDIX A

APPENDIX A

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NDSU

DEPARTMENT OF AGRICULTURAL ECONOMICS

North Dakota State University
P.O. Box 5636
Fargo, North Dakota
58105-5636

Tel. 701.231.7441
Fax 701.231.7400

March 21, 1997

Dear Sir/Madam:

My name is Jenaah McLeod and I am a research assistant at North Dakota State University. We are conducting a research project to determine the awareness and need of public export services for businesses in North Dakota, South Dakota, and Minnesota. The enclosed survey is the initial stage of the project. Results of this study will assist us in planning for the future export needs of businesses in the region.

Our records indicate you have not yet responded to the survey. Your response is important in understanding what services businesses will need to successfully compete in the international environment. Your participation is voluntary; however, your assistance would be greatly appreciated. Your identity will be kept confidential and will not be recorded with the results. The survey should take about 10 minutes to complete. Once you have completed the survey, staple it shut with the return address showing and return the entire survey.

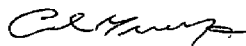
If you have any questions about the project, please call me at 701-231-8935. If you would like to receive a copy of the results, please check the box at the end of the survey.

Thank-you for your participation and comments.

Sincerely,



Jenaah McLeod
Research Assistant



Dr. Cole Gustafson
Interim Chair,
Agricultural Economics

NDSU is an equal opportunity institution.

SECTION A: CURRENT EXPORT ACTIVITIES

1. Does your company currently export any products? Yes No
 If "No" go to section B, If "Yes" go to section C

SECTION B: INTEREST IN EXPORTING

1. Has your company exported at any time in the past? Yes No
 If "Yes" why did you stop exporting? _____
2. Is your company interested in exporting? (Circle one) Not interested Somewhat interested Very interested
3. Has your company done any export research or planning? Yes No

Please continue with section D

SECTION C: EXPORT ACTIVITIES

1. What percent of your total sales was derived from exports in 1995? (Circle one)
 0%-10% 11%-20% 21%-50% 50%- greater
2. How many years has your firm been exporting? (Circle one) 1-3 4-7 8-10 11-20 21 years or more
3. What countries does your firm export to? (Circle all that apply)

<i>Number of years exporting to:</i>						<i>Number of years exporting to:</i>					
Canada	1-3	4-7	8-10	11-20	21 or more	Germany	1-3	4-7	8-10	11-20	21 or more
Mexico	1-3	4-7	8-10	11-20	21 or more	Pacific Islands	1-3	4-7	8-10	11-20	21 or more
England	1-3	4-7	8-10	11-20	21 or more	Japan	1-3	4-7	8-10	11-20	21 or more
France	1-3	4-7	8-10	11-20	21 or more	Middle East	1-3	4-7	8-10	11-20	21 or more
Ireland	1-3	4-7	8-10	11-20	21 or more	Other _____	1-3	4-7	8-10	11-20	21 or more

4. Do you plan on entering new export markets in the next two years? Yes No
 If "Yes" where?

5. What type of planning did you do prior to entering your initial export market and subsequent markets?
 (Circle applicable answers)

	Initial Export Markets				Subsequent Export Markets			
	<i>none</i>	<i>very little</i>	<i>some, not a major effort</i>	<i>major effort</i>	<i>none</i>	<i>very little</i>	<i>some, not a major effort</i>	<i>major effort</i>
Market Demand Research	0	1	2	3	0	1	2	3
Competition Analysis	0	1	2	3	0	1	2	3
Budget/Financial Analysis	0	1	2	3	0	1	2	3
Packaging	0	1	2	3	0	1	2	3
Product Adaptation	0	1	2	3	0	1	2	3
Documentation	0	1	2	3	0	1	2	3

6. What prompted your firm to initially begin exporting? (Check those that apply)

- Firm was contacted by foreign buyer
- Received a trade lead from trade assistant or private source
- Received a trade lead from a U.S. government source (source: _____)
- Attended trade show
- No trade leads or contacts, did our own research and contacted a foreign buyer

7. Did you seek or use any government sponsored services in planning and implementing your export activities? (Circle one) Yes No

If "Yes" which services did you use? (Circle appropriate answers)

	<i>Did not use</i>	<i>Used very little</i>	<i>Used some</i>	<i>Used a lot</i>
Department of Commerce, International Trade Administration	0	1	2	3
Small Business Administration	0	1	2	3
Export-Import Bank	0	1	2	3
U.S. Department of Agriculture	0	1	2	3
State Department of Agriculture	0	1	2	3
Small Business Development Centers	0	1	2	3
Universities (which one(s) _____)	0	1	2	3
Other _____	0	1	2	3

If "No" why? (Check those that apply)

- Not available
- Not useful
- No knowledge of them
- Other _____

8. Did you seek or use other sources in planning and implementing your export activities?

	Planning				Implementing			
	<i>Did not use</i>	<i>Used very little</i>	<i>Used some</i>	<i>Used a lot</i>	<i>Did not use</i>	<i>Used very little</i>	<i>Used some</i>	<i>Used a lot</i>
Trade or Industry Association	0	1	2	3	0	1	2	3
International Newspapers	0	1	2	3	0	1	2	3
Internet	0	1	2	3	0	1	2	3
Hired Private Consultants	0	1	2	3	0	1	2	3
Banks	0	1	2	3	0	1	2	3

Please continue with section D

SECTION D: EXPORT SERVICES

1. Has your firm received unsolicited international trade leads in the last two years? Yes No

If "Yes" how many leads have you received from the following (Circle the applicable answers):

Foreign Buyer	1-5	6-10	10 or more
Trade Associations	1-5	6-10	10 or more
Government Publications	1-5	6-10	10 or more
Other _____	1-5	6-10	10 or more

2. Do members of your firm have international experience? Yes No

If "Yes" check those that apply

- Previous export experience
- Foreign travel
- Foreign language
- Other _____

3. Please rank the importance of the following possible export barriers. (Circle the applicable answers)

	<i>Not at all important</i>	<i>Somewhat important</i>	<i>Important, but not a major concern</i>	<i>Very important, a major concern</i>
Foreign Competition	0	1	2	3
Finding Information on Foreign Markets	0	1	2	3
Management of Export Operation	0	1	2	3
Insufficient Capital	0	1	2	3
High Cost of Exporting	0	1	2	3
Trade Barriers and Tariffs	0	1	2	3
Export and International Financing	0	1	2	3
Currency Fluctuation	0	1	2	3
Export Documentation	0	1	2	3

4. Please indicate the need for the following public sector export services. (Circle the applicable answer)

	<i>Don't Need</i>	<i>Somewhat need, would use occasionally</i>	<i>Need, would use often</i>	<i>Great need, would use all the time</i>
Market Research	0	1	2	3
Obtaining Trade Leads	0	1	2	3
Trade Show Coordination	0	1	2	3
Trade Show Support (financial)	0	1	2	3
Hosting Foreign Buyers	0	1	2	3
Locating Agents and Distributors	0	1	2	3
Export Documentation Assistance	0	1	2	3
Export Financing	0	1	2	3
Translation Services	0	1	2	3
Education Programs and Workshops	0	1	2	3
Other (_____)	0	1	2	3

Please continue with Section E

SECTION E: PLEASE ANSWER THE FOLLOWING QUESTIONS ABOUT YOUR FIRM

1. What were your Firm's gross sales in 1995?(Check one)

\$100,000 or less
 \$100,001 - \$ 500,000
 \$500,001 - \$1,000,000
 \$1,000,001 - \$5,000,000
 \$5,000,001 - \$10,000,000
 \$10,000,0001 - \$50,000,000
 \$50,000,001 - \$100,000,000
 \$100,000,001 or higher

2. How many employees does your firm have?(Check one)

0-5
 6-10
 11-20
 21-50
 51-100
 More than 100

3. How many years has your company been in business?(Check one)

0-5
 6-10
 11-20
 21- or more

4. What is the primary nature of your business?(Check all applicable)

Retail
 Mining/construction
 Service
 Agriproducts/sales,nonfood
 Wholesale
 Agriproducts/sales, food
 Manufacturing, durable
 Other _____

If you would like to receive a copy of the results please check the blank below. Thank you for taking the time to complete the survey.

Would like a copy of results

APPENDIX B

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Appendix Table 1. Correlation Among “Type of Firm” Responses, Northern Plains, 1996

	Mfg	Whlse	Retail	Services	A-P/ Food	A-P/ Nonfood	Mining /	Print/ Publish	Other
Mfg	128	25	20	11	2	6	4	--	3
Whlse	25	57	24	9	10	8	2	--	--
Retail	20	24	51	13	6	8	2	--	--
Service	11	9	13	39	6	5	1	--	--
A-P/Food	2	10	6	6	30	4	--	--	--
A-P/nonfood	6	8	8	5	4	26	1	--	--
Mining/Const	4	2	2	1	--	1	18	--	--
Print/Publish	--	--	--	--	--	--	--	14	--
Other	3	--	--	--	--	--	--	--	7
Number of Firms in Category	128	57	51	39	30	26	18	14	7
Number of Firms in Category Indicating an Additional Category	71	78	73	45	28	32	10	--	3
Percent of Firms in Category Indicating an Additional Category	55%	137%	143%	115%	93%	123%	61%	0%	57%