

Appendix B

SCOPE AND METHODS

This study comprises two basic parts. First, a study was made of the statutes and court cases that comprise the law of land contracts. Contributions to this part of the study were made by research workers in Illinois, Iowa, Michigan, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin, and Kentucky.

In the second part of the study, buyers, sellers, practicing attorneys, bankers, county agents, and others having information about land contracts were contacted in field studies over the period 1954-1960. In Iowa, a sample of land contracts was drawn from those recorded in the office of the county recorder in 10 Iowa counties, and persons named in the contracts were interviewed. This study resulted in 155 usable buyer questionnaires and 34 usable seller questionnaires.

Data were collected by interview in Michigan from 101 farmer-buyers and 22 sellers in eight counties. In Minnesota, 350 usable buyer questionnaires and 50 seller questionnaires were obtained from 11 counties. In addition, during 1957-1960, information was obtained from the annual Minnesota Farm Real Estate Market Survey in which approximately 1,500 farm sales are reported and analyzed each year.

In Wisconsin, the records of 533 land contracts in four counties were studied at the offices of the county recorders. This information was supplemented by interviews with 93 of the buyers and 66 of the sellers. In Illinois, 42 land contracts were studied, followed by interviews with 20 buyers and 7 sellers. In addition, 16 practicing attorneys responded to a mail questionnaire regarding their experience with land-contract transactions.

Other Bulletins

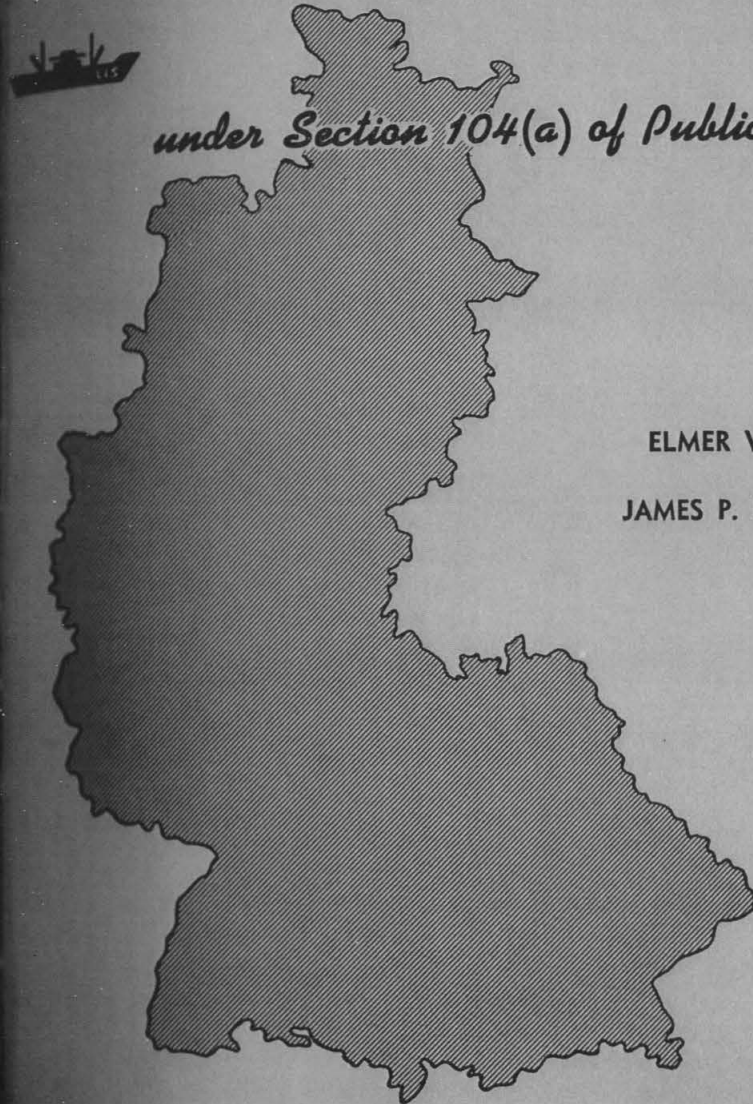
In addition to this publication, two other bulletins dealing with the general problem of how young families get established in farming have been published through the efforts of the North Central Regional Committee for research on "How Young Families Get Established in Farming."

They are: *Opportunities for Beginning Farmers*, by Don Kanel. North

Central Regional Publication 102, Experiment Station Bulletin 452, University of Nebraska, Lincoln, Nebraska, May 1960. *Getting Started and Established in Farming With and Without Family Help*, by Franklin J. Reiss. North Central Regional Extension Publication No. 8, Extension Circular 822, University of Illinois, Urbana, Illinois, June 1960.

An Evaluation of MARKET DEVELOPMENT PROJECTS in West Germany

under Section 104(a) of Public Law 480



ELMER W. LEARN

JAMES P. HOUCK, JR.

FOREWORD

The increased interest and activity by American land-grant colleges and universities in agriculture's role in the world economy has been an encouraging development in the postwar period. This research effort, "An Evaluation of the Market Development Projects in West Germany under Section 104(a) of Public Law 480," marks another milestone in this development. It is one of the first projects in which three state Agricultural Experiment Stations worked with the Foreign Agricultural Service of the U.S. Department of Agriculture to review our market development efforts.

As this study progressed, Dr. Elmer W. Learn and Mr. James P. Houck encountered three types of evaluation problems. These concerned economics, administration, and marketing techniques. In any given market development project, the three problems are so intertwined that they cannot be analyzed separately. For example, the success of some projects is as dependent on the effectiveness of their administration as on the "worthwhileness" of the undertaking, the money expended, or the zeal of the participating agencies.

Money, material, and minds are never abundant, and market development projects must make the most of all these reserves and the opportunities they present.

The formal training of agricultural economists equips them to work in all three areas. Moreover, university personnel are willing to participate in this type of activity. The nature of the activity fits in with the overall research function of many Departments of Agricultural Economics. Furthermore, most universities are anxious to have their faculty members gain greater experience in world problems.

The report suggests both substantial progress and substantial problems. It underscores the need for leadership and organization which will command the confidence, respect, and support of all our citizens, not only farm and trade groups. While immediate problems will undoubtedly be met and resolved, they must not submerge a well-conceived, positive, long-term foreign economic policy.

With these concepts in mind, the Department of Agricultural Economics, University of Minnesota, was pleased to participate in the joint venture. We trust that the findings and recommendations of the study are useful and meaningful to FAS and to active and potential producer and trade groups. Clearly, the challenges and opportunities, even in this small sector of international relations, call for measures equal to the tremendous political and economic power which history has given us.

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SUMMARY

Authorization and Administration of Market Development Activities

TITLE I OF PUBLIC LAW 480 permits the U.S. government to authorize the sale of surplus agricultural commodities to foreign countries for local currencies. Private trade channels are used to the maximum extent possible. Since 1954 Title I sales resulted in the deposit of substantial amounts of foreign currencies to U.S. government accounts in many nations. Foreign market development activities under Section 104(a) are financed with these funds. At least 5 percent of Title I sales proceeds must be available for these development activities. Conversion to other nondollar currencies provides funds for market development in countries where insufficient Title I currencies are available. The Foreign Agricultural Service is responsible for the administration of Title I sales and 104(a) projects. It has emphasized three major types of 104(a) activities: (1) market promotion, (2) marketing assistance, and (3) marketing research.

Responsibility for actual market development operations was delegated primarily to cooperating U.S. trade groups, generally on a commodity basis. When an appropriate commodity organization did not exist, FAS encouraged the formation of an organization specifically for foreign market development work. In some cases, the U.S. cooperator made agreements with similar commodity groups, third-party cooperators, in foreign countries.

All 104(a) projects must fulfill the overall objectives of PL 480 and Section 104(a). Priority among projects is determined by criteria developed by FAS administrators. FAS established an administrative framework through which activities are conducted to facilitate operations. Most of FAS' responsibility falls upon its individual commodity divisions and the agricultural attachés in the project countries.

Some market development activities are conducted primarily within FAS. The new Trade Fairs Branch organizes U.S. international trade fair participation for agricultural products. FAS also has authority, under the current interpretation of Section 104(a), to conduct special projects on its own. These have been limited largely to personnel exchanges and inspection trips by foreign officials to the United States.

Market Development In West Germany

Market development activities in Germany under Section 104(a) of PL 480 began formally on June 1, 1956. Individual projects varied in duration and intensity in terms of funds spent and personnel involved. As a highly-developed nation capable of handling large agricultural imports on a dollar basis, Germany

Table 1. Summary of commodity projects in West Germany under Section 104(a) of Public Law 480

Commodity	U. S. cooperator	Third party cooperator	Effective duration of project	Funds expended in equivalent dollars as of June 30, 1960		
				FAS	U.S. cooperator	Third party
Cotton	Cotton Council International	German Cotton Institute	1955-1963	\$272,684	*	\$253,840
Poultry	Institute of American Poultry Industry	German Poultry Importers†	1956-1963	172,974	\$14,917‡	10,690
Soybeans	Soybean Council of America	German Oil Millers Assn.	1956-1962	21,105	2,162§	88,831
Wheat	Great Plains Wheat Growers	.....	1958-1962	12,984	¶	.....
Lard	American Meat Institute	Trade Mark Assn.	1957-1958	49,847	6,921	6,810
Prunes	Calif. Prune Advisory Board	.....	1957-1958	49,648	16,601¶	.....
Raisins	Calif. Raisin Advisory Board	.....	1957-1958	25,023	1,981	.....
Fla. Citrus	Fla. Citrus	.....	1957-1958	24,996**	44,820**	.....

*U.S. cooperators' contributions are included under a supervisory contract that extends over all countries where cotton projects operate. In Amendment VIII of the supervisory agreement with FAS, CCI agreed to provide a total of \$307,000 over the life of the agreement (7 years). The above FAS contribution includes the equivalent of \$31,929 allocated to the supervisory agreement.

†No formal third-party contract concluded.

‡As of December 31, 1959. Subsequent data not readily available.

§Cooperator contribution directly applicable to German projects.

¶Cooperator assumes dollar costs of central office in Rotterdam.

**The California Prune Advisory Board expended an additional \$45,345 prior to the formal 104(a) contract.

***The Florida Citrus Commission and FAS incurred additional costs in West Germany in connection with a separate 104(a) project using materials of promotion and merchandising produced in Austria and France.

Source: Data from agricultural attache's office, U.S. Embassy, Bonn and individual project reports.

was viewed as a promising field for 104(a) project work. A lack of German currency for such activity was alleviated by funds from a \$1.2 million Title I sale of poultry in West Germany in 1955-56. Additional German currency was provided in recent years through the conversion of currencies obtained from Title I sales in other countries.

The following is a brief summary of the West Germany agricultural market and the 104(a) project activities undertaken from 1955-60 in Germany. The data in table 1 summarize these projects with respect to cooperating organizations, project duration, and funds expended.

GERMAN AGRICULTURAL MARKET

West Germany is a large, rapidly-growing, industrial economy. Unlike the United States the German economy has not reached the stage where increased demand for agricultural products is limited largely by population growth. However, the demand for agricultural goods is growing, and will probably continue to grow, less slowly than the economy as a whole. Although agricultural production is increasing, it likely will not increase enough to make Germany self-sufficient.

Some effects of economic growth are seen in German food consumption patterns. Increased emphasis on livestock products, fruits, and vegetables and corresponding decreases in consumption of cereals and potatoes are evident. Because of the limited land area and lack of widely different climatic areas, there should be a growing market for feed grains, protein supplements, and off-season fruits and vegetables.

¹ The original contract was negotiated with and signed by the NCC. However, shortly after the projects' initiation, CCI was created and assumed responsibility.
² Expenditure data are from a report prepared by the office of the agricultural attaché for Secretary Ezra T. Benson's visit in August 1960.

The United States is currently Germany's most important supplier of agricultural commodities, in spite of trade policies and transportation differentials which tend to work against U.S. products. Principal U.S. agricultural exports to Germany are commodities that are not produced domestically or raw commodities requiring further processing: cotton, oilseeds, and tobacco.

MARKET DEVELOPMENT ACTIVITIES

Cotton

The initial market promotion and development project in Germany was for cotton. It was formally activated June 1, 1956 and, with several amendments, extends through 1963. The U.S. cooperator, Cotton Council International (CCI), was created by the National Cotton Council (NCC) in 1956 to handle overseas market development work for cotton.¹ For the German project CCI made a third-party agreement with another newly-formed industry group, Institut der Deutschen Baumwollindustrie (German Cotton Institute). The initial FAS funds were allocated from the 1.2 million PL 480 poultry sales agreement mentioned previously. The cotton program in West Germany is the largest German market development project in terms of funds expended. Total expenditures in Germany of FAS funds through June 1960 were the equivalent of \$272,684.² The cotton program operated on a smaller scale than originally intended. During 1958 and 1959 actual expenditures were slightly more than half of the budgeted amounts.

Activities carried out by the Institute in cooperation with CCI in-

clude market research, sales promotion through both advertising and special events, and public relations involving the press, radio and television.

Poultry

The second largest program in Germany was the project for U.S. poultry. It was formally activated September 26, 1956, and amended to extend until 1963. The U.S. cooperator, the Institute of American Poultry Industries, maintains its European headquarters at Frankfurt, Germany. Although the U.S. cooperator assumed most of the responsibility, funds were provided mainly by FAS. A German importing association, Bund Deutscher Wild and Gefluegelimporteure (German Game and Poultry Importers) did some work in the early stages of the program although no formal third-party contract was signed. At first FAS funds for this program were also allocated from the \$1.2 million poultry sale. The poultry program in Germany is a direct result of this sales agreement because prior to 1956 U.S. poultry was almost unknown in Germany. Activities concentrated on developing good trade relations and consumer acceptance of ready-to-cook, frozen poultry. FAS funds expended in Germany on the poultry project through June 1960 were the equivalent of \$172,974.

Soybeans

A project for soybeans was in effect since August 20, 1958, but promotion activities began early in 1959. The current contract extends through 1962. The U.S. cooperator, the Soybean Council of America, maintains a European office in Rome. The promotion activities were conducted entirely by a third-party cooperator, Verband Deutscher Oelmuehlen (German Oilmillers Asso-

ciation). This third-party cooperator carried on promotion activities prior to the 104(a) project. Project activities include newspaper and magazine advertising, an animated movie short, trade fair exhibits, and research on feed requirements and rations. FAS expenditures equalled approximately \$21,000 through June 1960.

Wheat

The Great Plains Wheat Market Development Association (GPW) was officially formed in January 1959 for the purpose of carrying out market development work for U.S. wheat. It originated from three parent groups, the Kansas, Nebraska, and Colorado Wheat Commissions, and was organized with the cooperation of FAS. Activities in West Germany were directed from the European office of GPW located at Rotterdam in The Netherlands. This office was opened in January 1959 although the formal initiation date of the German project was June 26, 1958. Limited activities in Germany included trade fair participation, part of an overall European wheat sampling program, trade luncheons, trade team visits to the United States, and work with the German Millers and Bakers Association. FAS expenditures in Germany through June 30, 1960, totaled the equivalent of \$12,984. The wheat project in Germany was recently amended to extend through December 1962.

Lard

The project for U.S. lard formally extended for 2 years, from June 28, 1957 to June 27, 1959. The American Meat Institute, the U.S. cooperator, carried out the promotional activities through a third-party cooperator, Warenzeichenverband Deutscher Schmalzimporteure e. V. (The Trade Mark Association) which is a group

of German lard importers who package, label, and sell pure U.S. lard. Project activities were based on the production and distribution of a motion picture short, and included the use of posters and labels bearing the association label. The duration of the project was rather short partly because U.S. lard supplies were limited at this time and the price was not competitive with either domestic or other European lard. Moreover, pressure to discontinue the advertising of U.S. lard was exerted by the German Agricultural Ministry. FAS expenditures amounted to the equivalent of \$49,847. The contributions of the American Meat Institute and the Trade Mark Association totaled \$13,731.

Fruits

An advertising and promotion campaign for California prunes was begun with the California Prune Advisory Board (CPAB) acting as the FAS cooperator. Although the formal project agreement extended from June 11, 1957 until September 30, 1958 and was amended to provide funds until September 30, 1961, the advertising was carried out for a relatively short period in 1957 and 1958. FAS expenditures equalled \$49,648 and CPAB provided \$16,601.³ CPAB hired an advertising agency in Frankfurt to develop and place the advertising material. The activities probably will continue if and when California prunes are in sufficient supply.

An advertising campaign for California raisins was carried out in 1957 and 1958 with the California Raisin Advisory Board acting as the FAS cooperator. This project agreement extended from May 15, 1957 to March 31, 1958. The cooperator conducted the project through a large advertising agency in Frankfurt.

FAS expenditures equalled \$25,025 while the California Raisin Advisory Board claimed dollar expenses totaling \$1,981.

The Florida Citrus Commission acted as the FAS cooperator in an advertising and promotional campaign for Florida citrus conducted in Germany in 1957 and 1958. The project formally extended from July 9, 1957 to July 8, 1959. Magazine advertising was contracted and promotional material distributed by an advertising agency located in Frankfurt. It stressed fresh and processed oranges and grapefruit. The FAS expenditures equalled \$24,996 and the Florida Citrus Commission claimed expenses totaling \$44,820 for this project. Early in 1958, the Florida Citrus Commission conducted another promotional campaign in Germany for fresh and processed grapefruit using film trailers produced in Austria and promotional material printed in France. This was actually a separate project which did not use 104(a) funds but was directed at the German market.

Trade Fairs

The Trade Fairs Branch of FAS participated in seven international fairs in Germany since 1955. Exhibits were sponsored at the major food fairs in Cologne and Munich and at the smaller Green Week fairs in Berlin. Various commodity groups participated as a part of their individual market development activities.

FAS expenditures for trade fairs have increased steadily since 1955 and currencies other than Deutsche Marks have been allocated. The Trade Fairs Branch, using the dollar equivalent of approximate amounts authorized, estimated that trade fair activity in Germany utilized about \$1,068,100 worth of currencies from six countries.

³ CPAB also spent \$45,345 prior to the signing of the 104(a) contract.

FAS Special Projects

Due to U.S. difficulties with the Basic Food Law in Germany, FAS sponsored an exchange visit to the United States of three German officials concerned with the interpretation and administration of the Law. During a 2-month period, they studied the U.S. food purity laws and practices, met with involved officials, and discussed scientific aspects of food purity with U.S. experts. Their travel and living expenses from October 8 to December 5, 1957 equalled \$6,540 and was provided by FAS.

An exchange team visit of three German government officials concerned with veterinary inspection of imported meat products was developed by FAS. The purpose was to acquaint German authorities with U.S. methods and practices of meat inspection and sanitation, especially with regard to lard and variety meats. The team was accompanied by a member of the agricultural attaché's staff. They met with veterinary officials in Washington and visited several meat packing plants in the midwest from July 9 to July 19, 1958. Their travel and living expenses were paid by FAS and totaled the equivalent of \$3,654.

General Conclusions

This section summarizes the most important overall impressions of foreign market development activity, both as it has been conducted under Section 104(a) and as a general concept. These observations were obtained primarily from the German evaluation study:

1. Market development has been a worthwhile governmental activity. Foreign trade in U.S. agricultural commodities increased, and consequently, widespread interest in foreign agricultural trade was stimulated. Foreign market development should be a permanent phase of USDA activities, not solely dependent upon PL 480 currencies.

2. The purposes and objectives of market development activities should be more clearly defined and broadened to include coordinated work at both the domestic and foreign levels. Further efforts should be made to coordinate activities for the overall advantage of U.S. agriculture and the United States generally.

3. There are no formulas for successful market development projects. Each commodity situation in each country presents a new challenge. Administrators must permit a maximum of flexibility in planning and operation.

4. Many market development projects suffered from insufficient planning prior to operation. This is particularly true regarding preliminary market analysis and detailed plans of work.

5. Numerous administrative and operational problems exist, particularly the insufficient FAS resources in foreign countries free to fulfill FAS' role in the cooperative endeavor. Well-trained personnel are needed to assume both the industry and FAS responsibility for market development activities.

An Evaluation of **Market Development Projects** *in West Germany* *under Section 104(a) of Public Law 480*

ELMER W. LEARN AND JAMES P. HOUCK, JR.*

IN 1960 THE Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture negotiated with three land-grant institutions to evaluate FAS market development activities instituted since 1955 under Section 104(a) of Public Law 480. Evaluation projects were undertaken in Japan, Italy, and West Germany. This report summarizes the results of the West Germany study.

Research for this was conducted from June through December of 1960. During this period, James P. Houck spent 5 months and Elmer W. Learn 3 months in West Germany. The research procedures employed relied heavily upon personal interviews with U.S. government personnel, personnel of American industry cooperators in the United States and overseas, German trade and industry leaders, and German university and government personnel. Background material was obtained from the FAS in Washington, the files of the agricultural attaché, Embassy library facilities, and from interviews with Embassy personnel. With the time and personnel allocation permitted, it was impossible

to provide an exhaustive report concerning all aspects of the problems encountered. Nevertheless, within the limits imposed by time, resources, and the authors' experience and abilities, this is a true and critical account of U.S. market development work in Germany under Section 104(a) from 1956 to 1960.

If an evaluation report is to be an evaluation, it must be critical. However, the authors attempted to be constructively critical. During the period to which the report refers, government supported market development was a new experience to both the trade and government personnel involved. This was essentially the experimental phase of the program. Nevertheless, the successes

*Elmer W. Learn and James P. Houck, Jr. are, respectively, associate professor and research assistant, Department of Agricultural Economics, University of Minnesota.

and failures of this phase can be employed as guides in future planning.

The authors express sincere thanks to the individuals who gave so freely of their time, knowledge, and assistance. Special thanks are given to the cooperators and FAS commodity division personnel who read and criticized earlier drafts of the manuscript; the American Embassy staff in Bonn, particularly Miss Marlise Wilke and Miss Ruth Kropp; Dr. Sherwood O. Berg, Head, Department of Agricultural Economics, University of Minnesota; Dr. Wilhelm Anderson, Director, Regional Analysis Division, Foreign Agriculture, Economic Research Service, USDA, and his staff; and to

Mr. Stanley Phillips, Program Development Division, FAS. The authors, of course, assume sole responsibility for the final results.

The University of Minnesota supported the project from the outset. The authors are deeply appreciative for the opportunities for professional growth and personal enlightenment afforded them through this assignment. Finally, acknowledgment must be given to the far-sighted individuals in FAS and the land-grant system who promoted this experiment in cooperation between public agencies. It is hoped that there will be continued cooperation in the efforts to establish more effective programs and relationships beneficial to U.S. agriculture in foreign lands.

CHAPTER I. THE NATURE AND CONCEPT OF MARKET DEVELOPMENT

THE STUDY UPON which this report is based was restricted to market development projects in the Federal Republic of Germany. From the standpoint of planning for future market development activities, however, some interesting results from the German evaluation experience relate to market development as a general concept. Therefore, this first chapter of the report pertains to overall market development considerations. The remainder of the report deals specifically with market development activity in West Germany.

Development, Operation, and Administration of Market Development Projects

The framework within which government sponsored market development activities are conducted is summarized in this section. The purpose is to sketch, in broad terms, the nature of these activities as authorized by PL 480. No attempt is made to describe in detail the many administrative decisions involved.

AUTHORITY FOR MARKET DEVELOPMENT ACTIVITIES

PL 480, entitled the "Agricultural Trade Development and Assistance Act of 1954," was passed by Congress in 1954. Its stated purpose is to "increase the consumption of U.S. agricultural commodities in foreign countries, improve the foreign relations of the United States, and for other purposes." Title I of the Act authorizes the President to ne-

gotiate and carry out agreements with friendly countries for the sale of surplus agricultural commodities for foreign currencies. The law states that private trade channels should be used to the maximum extent practicable. Titles II and III allow for the use of U.S. agricultural products throughout the world for disaster and famine relief, voluntary aid programs, and certain types of barter transactions.

Title I operations have resulted in a substantial amount of foreign currencies being deposited to U.S. government accounts in various nations. Section 104 of Title I enumerates the specific ways in which these funds may be utilized. The first listed use, Section 104(a), is "to develop new markets for U.S. agricultural commodities on a mutually benefiting basis." It is on this authorization that market development activities are carried out in foreign lands. An amendment to PL 480, passed in 1959, provides that at least 5 percent of Title I funds be available for use under Section 104(a).

FAS of USDA is responsible for the administration and coordination of 104(a) activities. Operationally, the phrase "to develop new markets" has been interpreted to also include the maintenance and expansion of existing markets. The present law does not require that commodities be listed "in surplus" to be eligible for 104(a) projects.

OPERATIONAL FEATURES OF MARKET DEVELOPMENT WORK

Types of Activities Authorized

In employing 104(a) funds, FAS placed major emphasis on: (1) market promotion, (2) market assistance, and (3) marketing research.

Market promotion covers activities aimed at maintaining and expanding markets for U.S. agricul-

tural commodities through increased sales to industrial buyers and final consumers. These activities may include informational programs for importers and processors, consumer education programs, advertising campaigns, training programs for sales personnel, and sales campaigns.

Marketing assistance activities include work with importers, producers, wholesalers, and retailers concerning quality determination and control, storage, grading, packaging, etc. Work in the development of new products and the exchange of U.S. and foreign personnel also comes under this heading.

Moreover, under the marketing assistance phase of market development activities, FAS established a Trade Fairs Branch within the Foreign Trade Promotion Division. Its responsibility is to organize and coordinate U.S. trade fair activity for agricultural products. The Trade Fairs Branch works across commodity lines.

Activities in the major area of marketing research and surveys generally provide background data for further market development projects. They are relatively short-range studies designed to provide information about fairly specific market conditions concerning one or more commodities in a given country. In addition, economic research may be undertaken in order to give direction and support to market development projects from a broader economic viewpoint. Research on basic marketing problems of storage, packaging, handling, etc., and in related physical sciences also may belong in this area.

FAS also has authority under Section 104(a) to engage in special projects on its own in behalf of U.S. agriculture. Special projects included, for example, visits to the United States by foreign experts to examine problems of food inspection

regulations pertaining to U.S. agricultural exports.

Cooperating Trade Groups

In order to implement Section 104(a) projects, FAS gave primary responsibility for operation to U.S. industry and trade groups (referred to as cooperators). Projects were usually developed on a single commodity basis. As a general rule, participation was limited to nonprofit commodity organizations representing a large proportion of the U.S. producers or trade.

For many important export commodities (e.g. wheat and feed grains), organizations meeting the FAS criteria did not exist when PL 480 was passed. FAS, therefore, provided the impetus for the creation of such groups as the Great Plains Wheat Market Development Association and the National Feed Grain Council. In other cases, existing organizations such as the National Cotton Council and the Institute of American Poultry Industries were modified in order to serve more effectively with FAS.

FAS encouraged these cooperators to coordinate their activities with similar trade groups in foreign countries (third-party cooperators). In some cases (e.g. cotton), the third-party cooperator undertook virtually all market development activity within a given foreign country while the U.S. cooperator assumed only planning and supervisory responsibilities. In other instances, the third-party cooperator assisted in the program activities carried out by the U.S. cooperator within the foreign country.

In all cases, FAS encourages financial contributions by both U.S. and third-party cooperators. These may consist of direct monetary support or contributions in the form of personnel time, supplies, etc. At

present, FAS is trying to adjust all project budgets gradually so that the total contribution of private groups, U.S. and foreign, equals the FAS contribution.

Evaluating Individual Project Proposals

A "project" is defined by FAS to be a basic unit of work with sufficient identity to enable FAS to program and budget it as a specific entity. It may encompass several commodities and countries or it may be confined to a single commodity in one country.

Projects generally originate through suggestions from industry groups, agricultural attachés, and FAS personnel. Justification for any project depends upon the extent to which it promises to fulfill the overall objectives of PL 480 and the narrower objective of Section 104(a). Priority is given to those offering early and lasting benefits. In countries where substantial amounts of currency are held, a longer-range program may be undertaken even though there is little possibility of early returns in terms of dollar sales. Most projects approved thus far offered the greatest short-run benefits; that is, projects in areas where significant dollar sales are currently taking place.

Specific criteria were developed by FAS for determining approval and priority of individual project proposals. These are:

- a) The probable success and period of return of benefits from the project in terms of its contribution to the increased consumption and importation of U.S. agricultural commodities.
- b) Long-range effects on total U.S. agricultural exports.
- c) The importance of exports of the commodities involved to U.S. agriculture.
- d) The extent to which the proposal is in harmony with foreign policy and international obligations of the United States.
- e) Where trade groups are involved, the extent to which such groups represent

U.S. commodity interest involved and their ability to provide experienced and competent staff sufficient to assure proper supervision and performance of project activities.

- f) Availability of 104(a) currency in the country where work is to be done.
- g) Proposed financing including financial contributions of U.S. and foreign trade groups involved.
- h) Prospects for continuation of project activities when Section 104(a) funds are no longer available.⁴

ADMINISTRATIVE FEATURES OF MARKET DEVELOPMENT WORK

Primary responsibility for FAS' role in the operation of individual projects is delegated to the commodity divisions which work closely with industry. However, the local U.S. agricultural attaché supervises, coordinates, and approves the disbursement of project funds within individual countries. If sufficient local currencies are not available for promising 104(a) projects, FAS may convert funds from countries where large balances of local currencies exist to the needed currencies. A recent administrative decision stipulated that Title I contracts provide for the convertibility of up to 2 percent of sales proceeds within a given country into other nondollar currencies. Administrative personnel in FAS allocate local currencies among projects, negotiate cooperator contracts, approve third-party contracts, and decide what proportion of funds industry must supply in the initial stages of a project.

A Concept of Market Development

The concept of foreign market development has not been defined precisely. As Section 104(a) of PL 480 is interpreted, any activities to main-

tain or expand sales of U.S. farm products in overseas markets might legitimately be considered for government support. With limited funds available, FAS administrators must determine which activities that might be considered as market development most deserve this support. The following section provides some guidelines for such administrative decisions.

MARKET DEVELOPMENT AND MARKET PROMOTION

When viewed in regard to a particular U.S. farm product, foreign market development includes any and all activities designed to increase, or to forestall decreases in, foreign sales of that product. This definition includes many diverse activities—from consumer advertising in foreign newspapers to encouraging the production of desirable wheat varieties in the Great Plains. It includes the establishment of market channels for a "new" commodity (e.g. frozen U.S. poultry to Germany), modification of existing market institutions (e.g. establishment of revised grain standards), market research, and a large number of related activities. Foreign market development need not be restricted to activities outside the United States. However, insufficient attention has been given to this fact.

Market promotion is a special type of market development activity. Market promotion activities take place at or near the consumption end of the marketing system. They are activities designed to increase, or forestall decreases in, consumption of the commodity under existing market conditions, primarily through persuasive and educational techniques. Generally, these activities

⁴Foreign Agricultural Service, *Foreign Agricultural Service Regulations Title 11*, Washington, August 1959, p. 103.3.

are aimed at consumers, although occasional efforts may be directed toward retailers and wholesalers. Activities pursued under the heading of market promotion include advertising in all its forms, press releases, public relations programs, and promotion "gimmicks."

Market development, however, includes not only these activities but also those designed to: (1) cause changes in the supply relations through improvements in marketing efficiency (e.g. through technological innovations or the reduction of competitive imperfections), and (2) establish "new" supply and demand relations by the introduction of new products or modifications in old products. In general, these nonpromotional activities are not readily pursued by industry on its own initiative. This may be because the activities might involve short-run losses (the introduction of U.S. poultry to Germany), the reorganization of power relations and operating procedures within the industry (adoption of new or revised export grades and standards), or for a variety of other reasons.

Market promotion activities, on the other hand, are more readily accepted and supported financially by industry groups. This is due, at least in part, to their many years of experience with these activities on domestic markets. Furthermore, there is a feeling of greater effectiveness because the efforts are directed at the ultimate decision maker — the consumer. Moreover, promotion activities have little impact on the organization of the marketing system at early stages of the marketing process.⁵ Thus, there is little problem in getting all interested parties in the industry (producers, processors, and traders) to support this type of activity.

Nonpromotional market development activities may be generally of greater overall benefit than promotional activities. Two supporting arguments for this are: (1) to the extent that inefficiencies in the marketing system are corrected, either through technological advance or elimination of monopoly profits (resulting from lack of knowledge or other imperfections), both producers and consumers can benefit; and (2) availability of "new" products increases the well-being of consumers and gives producers an additional market outlet.

Market promotion activities, however, may also be of general benefit — to consumers through increased knowledge, to producers through increased sales. Nevertheless, promotional activities that are strictly persuasive usually are of limited value in terms of general benefits. For example, a campaign to promote planned obsolescence of products can hardly be considered of long-run general benefit to the consumer, particularly in countries whose average per capita income is lower than in the United States. Such activities should not be outlawed, but they should receive rather low priority in the ranking of project proposals receiving government financial support.

The preceding paragraphs do not provide a thorough discussion of the market development concept. They do suggest that government support of market development activities can be more readily justified for the nonpromotional aspects because: (1) such work tends to be of greater general benefit, and (2) there is less incentive for the trade to engage in such activities on its own. Government funds used for promotional efforts should include cases where the promotional work: (1) is predomi-

nantly educational and informative, and (2) it is preceded or accompanied by necessary nonpromotional activities.

Government supported market development work to date emphasized more promotional activities than would be warranted under the above considerations. This was true partly because there was no precedent to follow in the implementation of early 104(a) work. Foreign market development activities by government was a relatively new idea. Furthermore, many commodity interests were poorly equipped for overseas market development activities. Thus, the early years were largely experimental. Among some groups, the easiest way to get a new program operating quickly was through promotional campaigns.

However, these conditions no longer exist. Most major commodity groups with 104(a) projects are organized to work in foreign countries. Experience was gained by both FAS and the cooperators. Further market development projects should involve well planned, coordinated efforts including both promotional and nonpromotional activities.

To insure this, FAS administrators should adopt the following guidelines:

1. Priority should be given to projects that contain well-conceived nonpromotional activities — all other things equal.
2. The cooperator's share of financing should be proportionately greater for predominately promotional projects.

It was previously stressed that foreign market development activities may also include work carried on in the United States. Promotional and nonpromotional activities overseas can be severely hampered by inaction or strong resistance to change in the United States. This

is particularly true regarding adjustments in grades, standards, and Commodity Credit Corporation (CCC) regulations which might enable our products to compete more effectively in foreign trade. It is also a problem with regard to educating producers, processors, exporters, and other handlers concerning the requirements of foreign markets in terms of quality and type of product, packaging, markings, credit needs, etc. **Every possible effort should be made to insure that commodities for which 104(a) funds are expended receive adequate market development attention at home.**

PUBLIC RELATIONS FOR U.S. AGRICULTURE

The degree to which the overall interests of the United States and U.S. agriculture are enhanced through market development activity must also be considered. It would appear that opportunities exist for FAS and the cooperating organizations to do this, but there has been little attempt to coordinate activities within a country for the general interests of the United States.⁶ This is partly due to the administrative arrangement for 104(a) activity. Activities designed to strengthen the public relations position of U.S. agriculture usually meet with apathy on the part of U.S. industry cooperators. Although the cooperators participate, they show little incentive or interest to continue these activities. Interviews with cooperator personnel indicated an overall reluctance to coordinate foreign activities with other commodity groups because they do not coordinate activities in the United States. However, it should be remembered that industry groups are not using U.S. government funds in the United States.

⁵ Changes in the system may occur if the promotion-induced change in volume of marketing is very large, e.g. more than 10 or 20 percent.

⁶ A series of trade luncheons initiated and sponsored by the agricultural attaché in Germany was a step in this direction.

Currently, only the trade fair program combines 104(a) activities across commodity lines. Work in this area should be continued. As suggested in Chapter IX, opportunities to coordinate trade fair activity with 104(a) commodity projects should be exploited more fully than they have been. For example, trade fairs can be used effectively to establish trade contacts, to explore market development possibilities, and to provide a base for future market development activities.

Administrative Organization

Market development work has been a cooperative effort between industry and government. This general principle should guide future development work but should not become an unbreakable rule. This conclusion is based on two fundamental considerations:

1. There are conflicts of goals between cooperators and government, and
2. There are instances where market development work is desirable, but a representative cooperating organization is unavailable, too poorly organized, or reluctant to perform the functions.

CONFLICTS OF GOALS IN MARKET DEVELOPMENT WORK

Government and Cooperators

The objectives of FAS (i.e. the objectives of the U.S. government) are different from and, at times, in conflict with the objectives of a particular commodity group. The objectives of a cooperator are generally limited to expanding the total sales for a particular commodity. FAS, on the other hand, must also be concerned with U.S. agricultural interests generally. Furthermore, ac-

tivities which employ government funds must not conflict seriously with overall foreign policy objectives. It would be a serious mistake, therefore, for FAS to contribute funds for overseas market development work without taking an active role in planning and maintaining general contact with program activities.

Internal Conflicts Among Cooperators

Within individual cooperator organizations serious conflicts can also exist concerning goals of 104(a) work. This is true both within U.S. and third-party cooperators. In addition, there may be conflicts in objectives between U.S. and third-party organizations.

The conflicts within cooperator organizations generally arise from the different interests of processors and producers. For example, increased soybean sales to a given country do not expand the market outlets for U.S. soybean processors. Furthermore, to the extent that the foreign country exports soybean meal or oil, competition for the processed products from the United States is increased in world markets. Where both producers and processors are effectively represented in the cooperating organization, these conflicts are usually resolved more readily than where one dominates. Where new organizations are formed primarily for market development, continued stress should be placed on seeing that they represent as broad a segment of the commodity interests as possible.

Intercooperator conflicts may also exist. For example, feed grain and soybean interests would benefit from development programs that promote an expanded poultry industry in a given nation. This, of course, would conflict with the goal of the U.S.

poultry industry to expand sales in that country.

THIRD-PARTY COOPERATORS

Because of the administrative success of the cotton project, FAS has attempted to pattern similarly the administration of other commodity projects. This is particularly true with respect to third-party cooperators. In the case of cotton, the third-party arrangement was a successful type of project organization and there may be other comparable situations. However, it would be a mistake to require that all commodity work in foreign countries be handled through third-party cooperators. For example, serious internal conflicts among marketing groups within a country may exist. If 104(a) activities are restricted to any one of these groups, it may alienate the other groups with regard to the U.S. product.

The third-party concept has many desirable features. Among them are: (1) increased contact between American and local trade representatives, (2) a greater understanding of local trade conditions and problems pertaining to market development, and (3) a multiplier effect on U.S. expenditures (i.e. to the extent that third-party contracts are used, a given allocation of U.S. funds will support a greater total market development budget).

Formal third-party contracts appear most useful in situations where: (1) an industry-wide trade group is available in the foreign country, (2) most of the work involves promotional activity, and (3) the interests of the third-party cooperator and the U.S. cooperator are closely parallel. Where the work has important non-promotional aspects (e.g. establishing a new product, making trade contacts, education regarding U.S. trade

practices, etc.), it seems preferable to avoid formal third-party arrangements. Regardless of the type of program employed, however, contact and the establishment of good relations with the local trade is an important aspect of market development activity.

FAS RESPONSIBILITIES IN FOREIGN COUNTRIES

Projects Without Formal Cooperators

There are circumstances where the potential for market development activities appears promising but where formal cooperator agreements are difficult or impossible to establish. In other cases, cooperators may not be adequately staffed to properly supervise activities. In such instances, FAS might activate and supervise limited market development activities directly through foreign cooperators. This could be considered a temporary arrangement until a satisfactory cooperative program could be established. This would be better than doing nothing as it would: (1) maintain interest on the part of local trade groups in the country concerned, and (2) establish a basis for future activities. It would also be better than operating with an ineffective or unwilling cooperator because it would: (1) prevent slipshod utilization of 104(a) funds, and (2) prevent operations that could hinder or eliminate opportunities for future operations.

Earlier comments concerning third-party arrangements that are made with organizations representing only a segment of the trade in a foreign country are applicable to situations where FAS assumes direct responsibility. Nevertheless, the possibility for such activities should not be overlooked.

FAS Resource Needs

At present FAS resources in countries where there is considerable 104(a) activity are inadequate. The need would be greater if the activities suggested in the preceding section are undertaken.

For the most part, duties associated with 104(a) activities and other PL 480 work were assigned to existing attaché staffs with little or no increase in resources. Therefore, to the extent that 104(a) activities received the supervision and participation required from the attaché staff, it was at the expense of other responsibilities. Apparently, the attaché primarily decides how to allocate his limited resources among his various functions. Thus, the degree to which market development work receives FAS attention within a given country is highly dependent upon the interests of the attaché. The failure of some cooperators to provide adequate reports is partly due to the inability of the attaché's office to force this kind of reporting. Moreover, there is often a lack of detailed knowledge on the part of the attaché's staff concerning project activities conducted within the country. This is not a criticism of the attaché service, but of a system that assigns too great a responsibility on too few resources.

FAS should consider assigning an assistant attaché for market development in countries where a large number of projects are to be operated. This individual and his staff could perform liaison work between cooperators and FAS in the foreign country. He would be responsible for: (1) explaining administrative procedures to cooperators, including the requirements for financial and general reporting; (2) requiring compliance with these requirements; (3) assisting in the planning of individual project activities; (4) coordinat-

ing cooperator project activities with such general projects as trade lunches and trade fairs; (5) making arrangements for and assisting in necessary investigations prior to initiation of new projects; and (6) representing FAS in conference with current and potential cooperators.

Such a position would alleviate many of the current problems arising out of work with cooperators. It would also enable the present attaché staff to perform more effectively in its other functions of general reporting and representation of American agricultural interests.

Operational Problems INITIATION OF PROJECTS

Two important weaknesses are evident in many market development projects that were studied in Germany. They are:

1. Little detailed evaluation of the market situation and the potential for market development;
2. Failure to establish a specific, well coordinated plan of work prior to the start of a project.

These weaknesses can be excused for the early years of 104(a) activity because of its experimental nature. Furthermore, there was considerable pressure to get projects activated—to show visible evidence that market development work was actually being performed. These excuses are no longer valid.

One of the first stages in a market development activity should be a detailed analysis of the current and projected long-run market situation. Future prices, consumption, total supplies, the nature of the market structure, and the source of present and potential supplies from both domestic and competing countries should be considered, as well as our own export market potential. This

type of analysis was done on an informal basis using present research in FAS, both in Washington and in the attaché's office. In some instances (feed grains and meats), useful short-term evaluations were conducted in foreign countries by FAS specialists and trade representatives. Nevertheless, more thorough analyses giving greater attention to long-run possibilities are needed.

Many projects were approved with little or no detailed plans of work. This is partly due to the lack of analysis cited above, to limited experience, and to inadequate organization by cooperators. However, sufficient experience has now been gained. Therefore, with the help of prior analysis, individual projects can be specifically planned. Without a foregoing analysis and a detailed, coordinated plan of work, administrators cannot make wise decisions in assigning priorities among proposed market development activities.

REPORTING

Financial Reporting

A troublesome administrative problem for both FAS and cooperators is that of achieving adequate reporting, both financial and general. Many financial reporting difficulties result from inadequate training of cooperator personnel regarding embassy requirements. The assistant attaché's office could alleviate this.

More important, however, is that financial reporting requirements vary greatly among embassies. This is particularly troublesome to a European area office filing reports in several embassies. Requirements differ partly because of varying interpretations of regulations among fiscal officers. Nevertheless, every possible effort should be made to standardize financial reporting requirements among embassies.

General Reporting

General reporting on project activities as required in 104(a) contracts could be improved in terms of content and timing. Good reporting is particularly important because the attaché's office is currently unable to maintain more than superficial contact with project activities. Thus, FAS should insist upon prompt adequate reporting from all cooperators.

The change to semiannual reporting from the previous practice of reporting quarterly seems worthwhile. However, the cooperators' present practice of filing country reports with their home office first is not desirable. The home office then submits the official report to FAS Washington. This practice limits further the attaché's ability to maintain contact with project activities within his country. FAS should require that copies of individual country reports be delivered to the attaché at the time of filing with the home office.

GENERAL ADMINISTRATION

Several cooperators objected to the overburdening amount of administrative work associated with 104(a) activity. Part of this is due to a lack of understanding between cooperators and FAS and to cooperators' desires to run their projects with a minimum of FAS contact. Efforts should be continued to reduce administrative requirements as much as possible. The assistant attaché post would help this greatly.

But, market development work must continue to be a cooperative effort as long as government funds are involved. FAS must do more than provide funds and approve contracts. It must account for expenditures and take an active part in market development activity to insure

that the overall objectives of PL 480 and U.S. foreign policy are achieved.

PERSONNEL

An overseas market development assignment is a strenuous and taxing duty. In assigning cooperator personnel to overseas posts, the following general qualifications are suggested:

1. Acquaintance with the commodity in terms of:
 - a. its markets and marketing institutions,
 - b. its important technical aspects,
 - c. appropriate promotional and development techniques.
2. Experience in dealing with the important trade and industry groups.
3. Familiarity with government fiscal and reporting procedures.
4. Willingness and physical ability to adjust to the strenuous duty and frequent travel associated with market development in foreign countries.

Individuals from FAS assigned to market development responsibilities should have a broad knowledge of U.S. agriculture and especially agricultural marketing. If possible they should have had contact with or experience in U.S. trade, preferably in export offices, and a good understanding of government administrative procedures.

Summary

The most important overall impressions of foreign market development activities gained from the German evaluation experience are:

1. Market development has been a worthwhile governmental activity. It stimulated widespread interest in foreign trade among U.S. agricultural and industry groups and in foreign countries. This helped increase foreign trade in U.S. agri-

cultural commodities. Consideration should be given to making foreign market development a permanent phase of USDA activities, independent of the availability of PL 480 currencies.

2. The purposes and objectives of market development activities should be more clearly defined. Its scope should include coordinated work at both domestic and foreign levels. Private trade (including producers) should be encouraged to finance and conduct those activities that are specifically in their own interest and for which there is adequate incentive. These are primarily direct promotion techniques. Other market development activities should continue to be largely a cooperative government-industry endeavor. Further efforts should be made to coordinate market development activities for the overall advantage of U.S. agriculture and the United States generally. Although the trade fair activity was especially successful in this regard, greater efforts should be made to coordinate trade fair activities with ongoing 104(a) commodity projects.

3. There are no formulas for successful market development projects. Each commodity situation in each country presents a new challenge. Administrators must permit a maximum of flexibility in planning and operation. However, this does not mean giving cooperators a free hand. It means enabling resourceful individuals in FAS and cooperator organizations to tailor projects to the individual commodity and country that meet the overall objectives of market development.

4. Many past market development projects suffered from insufficient planning prior to initiation. This is particularly true regarding preliminary market analysis and detailed, coordinated plans of work. Some projects were activated with little

knowledge of potentials or what specific activities were to be conducted.

5. Numerous administrative and operational problems exist. Most important is the lack of sufficient FAS resources in foreign countries to ful-

fill adequately FAS' role and responsibilities in the cooperative endeavor. Well trained personnel are needed to assume both the industry's and FAS' responsibility for market development activities.

CHAPTER II. THE FEDERAL REPUBLIC OF GERMANY

THE FEDERAL REPUBLIC of Germany, commonly referred to as West Germany, has been an autonomous state only since 1949. It contains an area of 95,742 square miles and a population in January 1959 of 52,493,000. Including the western sector of Berlin which is economically associated with the Federal Republic, the land area is 95,927 square miles and the population 54,719,000. This area is about equal to New York and Pennsylvania, but the population is almost twice that of those two states.

The Federal Republic including West Berlin contains 69.7 percent of the land area of total postwar Germany and contained 76 percent of the total population in East and West Germany in 1959. Although rich in both agriculture and industry, the Federal Republic has been distinguished more by its industrial capacity. East Germany, on the other hand, played the historic role of food provisioner for Germany. Thus, the postwar partitioning had an especially significant impact upon domestic agricultural production and trade of the Federal Republic.

The United States, as the leading nation in world agricultural trade, has an important stake in the German market. This fact is recognized by both the Foreign Agricultural Service and the U.S. trade. Thus, a large number of market development and promotion projects were established in Germany. Market development and promotion expenditures in Germany under Section 104(a) of PL 480 amounted to about \$1.8 million between July 1, 1955 and June 30, 1959.

It is necessary to precede the discussion of these 104(a) activities with a brief description of the German economy during the 1950's. No attempt is made to give a complete account of its highly successful economic recovery. This description is designed to set the stage within which the 104(a) projects operated and to establish the framework within which any meaningful evaluation must take place.

Agricultural and General Economic Conditions

All common indicators of general economic activity point to a phenomenal rate of economic growth since 1950. Gross national product at market prices rose from DM 97.2 billion in 1950 to DM 244.4 billion in 1959, an increase of more than 150 percent. Personal consumption rose less in percentage terms and much less in absolute terms than total GNP because of the high rate of investment activity. Nevertheless, personal consumption expenditures

amounted to DM 142.9 billion in 1959 compared with DM 62.5 billion in 1950. Gains in consumption expenditures, in general, were greater for goods of nonagricultural origin than for agricultural commodities. For example, in 1950 the "average family" of four persons utilized 52.2 percent of its total expenditures (DM 149.02) each month for food. In 1959 only 45.9 percent of total monthly expenditures went for food, but actual money expenditures rose to DM 268.09. Expenditures for clothing grew at about the same rate as total expenditures. Clothing expenditures as a percent of total expenditures were 13.6 in 1950 and 13.5 in 1959.⁷

The loss of East Germany was an extremely important factor in determining the postwar growth of the Federal Republic and, as shall be shown later, the patterns of trade which developed. Agricultural production in the Federal Republic increased, but much less rapidly than industrial production. The index of food production was 44 percent higher in fiscal year 1958-59 than in 1949-50. However, the index of industrial production increased 125 percent during the same period. Nevertheless, the rate of increase in food production was considerably greater than the rate of population growth. As a result, per capita food production in fiscal year 1958-59 was 32 percent higher than in 1949-50. These productivity gains increased levels of food consumption and lowered, to some degree, the dependence upon imported food supplies. One indicator of improved food consump-

tion is the growth in food processing industries. The index of production in this sector was 207 in 1959 on a 1950 base. This reflects increased processing of both home-produced and imported foodstuffs.

FOREIGN TRADE IN AGRICULTURAL COMMODITIES

Germany has been a major importer of agricultural products. Her position in world trade depends upon a highly efficient conversion of raw materials, both imported and domestic, into finished industrial goods for world markets. Exchange earned by these goods is used, in turn, for purchases of industrial and agricultural raw materials and other agricultural products. Both Germany's industrial capacity and trade patterns were virtually wiped out in World War II, but the Federal Republic has since regained Germany's position among trading nations.

Germany has not been self-sufficient in food for almost a century. The loss of agriculturally important East Germany following World War II further accentuated West Germany's dependence upon imports to fulfill food requirements. Approximately 25 to 30 percent of Germany's current food needs must be supplied by imports. In fiscal year 1958-59, 37.4 percent of the total imports were of agricultural origin. The bulk of these, 29.9 percent of total imports, were food products. This was down from 44 percent in 1950. Nevertheless, the Federal Republic is exceeded only by the United

States and the United Kingdom in value of agricultural imports.

Traditional important suppliers of German food needs were the neighboring countries of Denmark, France, Italy, the Benelux nations, and some eastern European countries. Bilateralism, as a trade philosophy, has an important impact upon patterns of trade. Through bilateral agreements, imports of raw materials and foodstuffs are drawn from those countries able and willing to buy German industrial goods in return. Nevertheless, the United States is the most important supplier of agricultural products to the Federal Republic. In recent years 10 to 20 percent of Germany's agricultural imports came from the United States. Germany is one of the five largest export markets for U.S. farm products and was in fourth position in 1959.

However, one of Germany's most important agricultural imports from the United States is a nonfood product — cotton. In fact, since 1954 cotton and tobacco constituted more than one-third of the total value of our exports to the Federal Republic. Fats, oils, and oilseeds were another very important commodity group. Thus, a major share of U.S. agricultural trade with Germany consists of cotton, tobacco, and other nonfood commodities that are used in food production such as oilseed meals and feed grains.

FOOD CONSUMPTION PATTERNS

German food consumption trends in recent years follow the familiar pattern of maturing economies — decreased cereal and potato consumption and increased consumption of livestock products, fresh fruits, and vegetables. However, the postwar food shortage and lack of foreign exchange had an important influence on these trends. Total meat

and poultry consumption, for example, only recently (fiscal year 1957-58) reached prewar levels of approximately 116 pounds per person. This compares with the U.S. per capita consumption figure of 193 pounds in 1959.

Poultry is an important factor in the meat consumption category from the standpoint of potential U.S. trade. From a prewar annual consumption of 3.7 pounds per capita, poultry consumption in West Germany rose to 6.8 pounds per capita in fiscal year 1958-59. A major share of this increase came from U.S. poultry whose imports rose from virtually zero in 1955 to more than 44 million pounds in 1959. Nevertheless, German per capita poultry consumption falls far short of that of the United States which was 35 pounds per capita in 1959.

Large increases in the per capita consumption of fresh fruits and vegetables took place in the last few years. Consumption of fruits, for example, is now more than double prewar levels with especially large increases in the consumption of fresh citrus and deciduous fruits. Per capita cereal consumption fell from its prewar level of 243 pounds per year to 189 pounds in fiscal year 1958-59 and potato consumption from 387 pounds to 312 pounds. The latter amount is still almost three times present U.S. consumption per capita.

POLITICAL FACTORS

Economic factors only partly determine foreign trade. Political considerations are also of great importance, especially in agriculture. Domestic price and income policies and programs for agriculture are present in most major countries of the world. Trade regulations in agricultural commodities are dictated, at least in part, by domestic policies.

⁷ Data cited in this section were taken from the following sources:
Statistisches Jahrbuch für die Bundesrepublik Deutschland (Statistical Yearbook for the German Republic) (Hamburg: Paul Parey, 1959, 1960).
Statistisches Jahrbuch über Ernährung Landwirtschaft und Forsten (Statistical Yearbook for Food, Agriculture and Forestry) (Hamburg: Paul Parey, 1959).
Handbook of Economic Statistics, Federal Republic of Germany, 1960 (published monthly by the U.S. Embassy).
Press and Information Service of the Federal German Government, *Facts About Germany, Germany, 1959*.
Agricultural Situation of the Federal Republic of Germany and other FAS agricultural attaché reports (unpublished).
West Germany, Background Materials for Market Development Evaluation. FAS, 1960 (unpublished).

Germany and the United States are not exceptions to this general rule. Germany's Basic Law for Agriculture has as its goal parity income with groups in other sectors of the economy. Procedures employed to implement this policy include fixed and support prices, market regulation of domestic and imported supplies, and various kinds of other direct and indirect aids. In general, the programs are designed to raise the level of agricultural prices and have been reasonably effective.

Import controls are a necessary adjunct to price-raising mechanisms in the domestic market. The most significant import control devices for agricultural products in Germany are four import and stocking agencies. One agency exists for each of the following commodity groups: cereals and feedstuffs, sugar, fats, and livestock and meat. Each agency regulates and stabilizes the markets for its products through direct import controls and through equalization of domestic and import prices (i.e. raising or lowering import prices to the level desired for corresponding domestic production). Through their quota powers the agencies may favor particular countries regardless of price or other economic considerations. From the United States' point of view the

most important commodities under agency control are wheat, corn and sorghum grain, lard, refined edible oils, butter, meat, and meat products.

On the other hand, raw commodities (such as oilseeds and raw cotton) imported for further processing and sale either in Germany or in German export markets are free of import restrictions. Furthermore, it is unlikely that restrictions will be placed on commodities not raised in quantity in European countries, such as cotton and tobacco.

Pacts calling for economic cooperation among European countries, such as the Organization for European Economic Cooperation (OEEC) and the European Economic Community (EEC), have established more or less free exchange of many goods among the countries concerned. However, they have served as a discriminatory trade device against other foreign traders such as the United States. For example, as currently organized, the EEC agreement could effectively eliminate the German market for U.S. lard and greatly reduce or eliminate Germany's ability to purchase other U.S. commodities. These trade groups have had a limited effect upon U.S.-German trade relative to the potential that current (summer 1960) EEC proposals contain.

CHAPTER III. COTTON

The Market Situation

COTTON CONSUMPTION IN GERMANY

TWO RELATED FACTORS dominate any discussion of the market for cotton and cotton products in West Germany. The first is that Germany produces no cotton. Thus, cotton is a raw material and an industrial good. The second factor is a direct result of the first. During the austerity program of the 1930's which was designed to

reduce imports of "unessential" items, apparel uses of cotton were virtually eliminated. The war and the payment difficulties afterwards extended the period of enforced drought on consumer cotton goods. Thus, a generation of Germans grew up when cotton fabrics for apparel uses were severely limited. Synthetic fabrics, particularly rayon, dominated the market.

During the last decade, however, cotton consumption increased steadily (see table 2). Some factors that contributed to this trend were: (1) removal of restrictions on imports, (2) higher levels of consumer income, and (3) population growth. Losses in important industrial markets, especially tire cord, and in some household items, such as tablecloths, prevented the consumption growth from being even more rapid.

Total production of cotton yarn in German mills expanded from 311,300 tons in 1950 to 439,200 tons in 1959. Per capita consumption of cotton increased from 8.8 pounds in 1950 to 12.6 pounds in 1958. U.S. per capita consumption declined from 27.1 to 21.2 pounds during the same years.

Currently German per capita consumption of cotton approximately equals that of other countries in Western Europe. However, Ger-

many's consumption of rayon is much higher as a result of prewar austerity programs. Therefore, the potential for further increases in cotton use in Germany may be greater than in other Western European countries as more consumers turn from rayon to cotton. However, the new noncellulosic fibers, such as nylon and orlon, will also replace rayon in many uses.

Further income growth is likely to have less effect on total textile consumption than in the past. The market research staff at the "Institut der Deutschen Baumwollindustrie" (German Cotton Institute) estimates the **income-expenditure** elasticity for **total textiles** to be less than unity. Textile purchases now amount to 11.7 percent of all consumer expenditures, but will probably drop to only 10.6 percent in 1965. The German research staff estimates the **income-expenditure** elasticity for **cotton** to be close to unity. Further substitution of cotton and rayon and upgrading in the quality (value) of cotton goods account for the difference between cotton and total textile elasticity. The factor of improved quality, however, will not influence the amount of cotton purchased. Thus, the **income-quantity** elasticity for **cotton** probably is less than unity.

Income-expenditure estimates are based upon trend relationships and partly account for changing tastes and preferences as well as incomes. Any major shifts by consumers toward synthetics could dramatically alter the consumption trends. Currently, synthetic fiber consumption other than rayon is less than 1 pound per capita. But, the use of noncellulosics probably will increase

Table 2. Consumption of cotton and rayon, Federal Republic of Germany, 1950-1960

	Total		Per capita	
	Cotton	Rayon	Cotton	Rayon
	thousand bales		pounds	
1950....	946	713	8.6	6.8
1951....	1,070	765	9.0	6.8
1952....	980	621	9.5	6.6
1953....	1,148	716	9.9	6.4
1954....	1,247	775	10.8	6.8
1955....	1,255	824	11.5	7.3
1956....	1,358	804	12.1	7.5
1957....	1,458	813	12.6	7.3
1958....	1,392	715	12.6	†
1959....	1,401	753	†	†
1960*....	1,492	791	†	†

*Preliminary data.

†Data not available.

Source: International Cotton Advisory Council, *Cotton World Statistics*, April 1960, pp. 125, 136, and 140.

with total textile consumption in a proportion at least equal to their current share. The cotton outlook, therefore, is that its share of total textiles could gain slightly at the expense of rayon in the near future. Further increases beyond that stage are unlikely.

STRUCTURE OF THE GERMAN TEXTILE MARKET

The apparel market is the most important single market for cotton fabrics in Germany. Household uses—sheets, bed ticking, curtains, etc.—is second. Industrial uses, as in the United States, are limited. The largest industrial market, tire cords, was lost almost completely to synthetics. Industrial uses such as canvas and auto interiors currently comprise about 20 percent or less of the total market. Market promotion can do little to increase cotton consumption in these industrial uses.

German market conditions differ from the United States' in several ways, particularly in the predominance of small-scale, specialty, retail, textile houses. The quality of textile materials and goods sold by the larger department stores is often inferior to that handled in these specialty shops. Home sewing and custom tailoring are also more important in Germany. Trends in the postwar period have been toward a higher proportion of quality textile sales in large department stores and more and better ready-to-wear clothing.

Climatic considerations are of particular importance to cotton consumption in Germany. Summers are relatively cool and damp. Thus, the coolness of cotton is not as strong a selling feature as in the United States. On the other hand, the relatively mild winters are particularly suited for heavier cotton fabrics. Promotion of this type of fabric

probably would be more successful in Germany than in the United States.

U.S. POSITION IN IMPORT TRADE

The United States is the most important supplier of raw cotton to West Germany. However, exports vary greatly from year to year (see table 3). In 1958, for example, Germany took only 167,300 bales from the United States or 14 percent of total cotton imports. In 1956 she took 931,100 bales or 58 percent of total imports. In general, the U.S. share is highest during years of large total imports. Mexico is the most important competitor selling U.S. type cotton to West Germany. In some recent years, British East Africa also supplied a large share of middling staple cotton imports.

Smaller producing countries with inadequate storage generally supply a relatively high proportion of the purchases during the early part of the marketing year. Late in the marketing year, when supplies from other sources are scarce, a relatively large proportion of purchases comes from the United States. Thus, in 1958, a year of depressed activity for the cotton industry, Mexico and British East Africa exported more than twice as much cotton to West Germany as did the United States.

Several important characteristics underlie the patterns of trade illustrated by the import statistics. U.S. export trade regulations are of primary importance. The Agricultural Act of 1956 permitted price subsidization of exports designed to give the United States its "fair share" of traditional world markets. This granted U.S. policymakers an extremely important role in determining world prices.

However, price and trade policies are not the only factors that determine trade patterns. Traditionally,

Table 3. Cotton imports by country of origin, Federal Republic of Germany, 1951-1959

Country of origin	(Year beginning August 1)					1956	1957	1958	1959
	1951	1952	1953	1954	1955				
United States.....	468.4	276.7	378.3	383.0	90.9	931.1	727.2	167.3	575.1
Mexico.....	19.0	85.9	89.7	140.7	412.5	175.0	151.8	235.5	188.1
Br. E. Africa.....	35.5	57.1	39.0	45.5	63.6	88.2	115.4	132.3	66.3
Peru.....	9.2	32.1	55.4	51.2	76.0	66.6	74.9	97.6	107.1
Nicaragua.....	.7	26.9	54.9	62.2	116.0	32.4	51.2	84.6	22.2
Egypt.....	58.3	127.3	128.4	93.6	90.1	59.1	40.3	69.9	101.0
U.S.S.R.....	0	0	.1	6.5	53.0	72.4	48.9	59.0	85.9
Brazil.....	65.3	.7	214.5	193.5	74.3	28.7	28.7	40.4	132.3
Sudan.....	.5	27.9	25.7	17.2	60.5	31.9	51.4	75.9	86.5
Turkey.....	131.9	134.9	67.7	54.1	27.9	23.8	25.9	95.2	138.8
Belgian Congo.....	37.6	76.2	42.2	25.7	35.4	35.2	21.6	53.1	74.9
Other.....	60.9	243.0	173.1	142.5	181.4	58.5	121.6	115.8	121.2
Total.....	887.3	1,088.7	1,269.0	1,215.7	1,281.6	1,602.9	1,458.9	1,226.6	1,699.4
U. S. percent of total.....	53	25	30	32	7	58	50	14	34

Source: International Cotton Advisory Council, *Cotton World Statistics*, April 1959, p. 143, and March 1961, p. 64.

buyers favored U.S. cotton because of readily available supplies of relatively uniform quality. U.S. exports often claimed a price premium over other growths, but in recent years the quality reputation of U.S. cotton relative to other growths suffered. Informed sources indicate that overginning and mechanical picking may be principal causes of this difficulty.

The United States can continue to supply a large share of the German market needs for many years to come, primarily because of its importance in the total world supply picture. However, as production and quality in other countries increase, German buyers probably will not hesitate to shift to other growths when price and quality are more attractive.

Details of Program Operation

HISTORY

Market development activities for cotton in West Germany began in 1955. At that time the National Cotton Council and FAS signed an agreement under which the National Cotton Council would explore the possibility for and negotiate with foreign industry groups for market development work under Section 104(a) of PL 480. As a result of their investigations, a contract was signed between the National Cotton Council and the German Cotton Institute in June 1956. This contract enabled the Institute to conduct projects involving sales promotion, public relations, and market research in order to "encourage the increased use of cotton in West Germany." It was to remain in effect for 2 years.

Two major problems had to be solved in order to make the cooperative agreement a reality. First, there was not an appropriate industry group in West Germany to conduct market development activ-

ity. The German Cotton Institute was created primarily for this purpose. Secondly, there was no German currency generated under Title I sales to provide for the financing of any 104(a) work in West Germany. This obstacle was overcome in 1956 by a Title I agreement for the sale of \$1.2 million of U.S. poultry. All parties concerned understood that part of the proceeds of this project was to be used for cotton market development work.

As its foreign market development activities for cotton expanded, the National Cotton Council sponsored the creation of a separate organization to carry on this phase of its operations. This organization, the Cotton Council International (CCI), assumed all responsibility for market development work on cotton under Section 104(a). In February 1957, therefore, a new contract was signed between CCI and the German Cotton Institute which terminated the previous contract and extended the period of operation to December 1, 1958. The contract has been amended numerous times for administrative clarification, budget adjustments, and extension of termination dates. The most recent amendment, Amendment VIII, was signed in June 1960 and extends 104(a) activities until June 30, 1964.

NATURE OF THE PROMOTION WORK IN GERMANY

An understanding of the market promotion activities will be enhanced by a discussion of the organizations involved. The principal organizations concerned are the CCI and the German Cotton Institute.

Cotton Council International

This organization is a direct outgrowth of the market development activities authorized by Section

104(a). As the contracting party with FAS, it organizes and supervises market development projects for cotton in countries throughout the world. It performs these duties under a supervisory contract with FAS which states that CCI meets all dollar costs of its activity and FAS provides for most foreign expenses with 104(a) money. Although CCI's operations are international, it is a U.S. organization. It is supported and controlled by the National Cotton Council.

Generally, CCI does not conduct market development projects itself. It operates in almost all cases through third-party cooperators. Contracts with these foreign industry groups provide that expenses incurred in projects approved by CCI will be reimbursed for up to 50 percent of the total cost with 104(a) funds.

Supervision of foreign projects is handled by regional offices of CCI. The Paris office supervises the German and other Western European projects. This office also maintains responsibility for CCI's economic and market research office in Holland and regional representatives in Oslo and Rome. In addition to its supervisory activity, CCI trains personnel from third-party cooperators in sales promotion, public relations, and market research.

The Paris office is responsible for most of the direct contact with the German cooperators. Contract negotiations, reports, requests for reimbursement, discussion of project activities, etc. are all handled through this office. There is very little direct contact between the third-party cooperator (the German Cotton Institute) and FAS (either through the attaché's office or the Cotton Division in Washington). Any contacts of this nature are generally made with the approval of CCI.

The "matching-fund rule" (i.e. that the third-party must match the

FAS contribution) has been rigidly enforced in contracts made by CCI. As a result of this, the level of operations in most countries has been determined largely by the fund-raising ability of the third-party cooperator. However, this has not been the case with regard to the CCI supervisory agreement with FAS. Instead, the practice has been for CCI to assume all "dollar" expenses with FAS financing the remaining costs. In the supervisory program CCI's contribution exceeded the contribution of FAS.

German Cotton Institute

The Institute was created in March 1955, primarily to be a contractual partner for 104(a) cotton promotion work in Germany. It was organized and is controlled and financed by two parent organizations—the "German Cotton Weavers Association" and the "German Cotton Spinners Association." Virtually all spinners and weavers in Germany are members of the Associations. The names of these two parent organizations are somewhat misleading—"cotton" could be dropped from their titles. When these groups were organized most spinners and weavers specialized by type of fiber. Today, however, technological advances make it possible to interchange fibers on most spinning and weaving equipment.

At first the Institute was financed from the general treasuries of the parent groups. Firms whose primary production was synthetics objected to this practice. Therefore, funds are now raised only from cotton users within the parent organizations. Assessments are prorated on the basis of cotton consumption.

Operations of the Institute are controlled by the Board of Directors which is comprised of 30 representatives from the two parent associations. Project activities and budgets

must be unanimously approved by the Board.

CCI decided that 104(a) funds allocated for promotion can be used by the Institute only on projects that promote cotton specifically. Thus, promotion campaigns for total textile consumption or "blends" favored by the Institute are not approved—only "all cotton" campaigns. CCI believes that a given fiber can benefit most when the promotion campaign is directed toward the specific advantages of that fiber, e.g. coolness, washability, warmth.

The Institute placed a large portion of the budget on market research at the expense of reduced programs in sales promotion and public relations. Greater knowledge of the market gained through market research can be used to equal advantage regardless of the fiber concerned.

PROJECT ACTIVITIES

There are several things that must be remembered as the cotton project is discussed. These are: (1) the makeup of the Institute, particularly the total textile interest of German spinners and weavers; (2) the financial strength of the German synthetic fiber industry; (3) the austerity program of the 1930's; and (4) the nonagricultural orientation of cotton in Germany.

At the operating level, the Institute assembled a relatively large staff. Activities are carried on in three general areas: public relations, sales promotion, and market research.

Public Relations

This type of activity is comparatively new to Germany. Trained personnel are scarce and demand relatively high salaries. However, the Institute established good working

relationships with the press, radio, and TV. Acceptance by the press of the Institute's press releases now compares favorably with similar services of the National Cotton Council in the United States. This effort helped make the public more cotton conscious. In light of the austerity program of the 30's which almost eliminated cotton from consumers' buying patterns, expenditures in this line of endeavor seem to be effective.

Traveling fashion shows were sponsored in 1956, 1957, and 1958. Although these shows met with wide approval, they were dropped. Several visits by the U.S. "Maid of Cotton" were also sponsored as public relations events.

Current public relations emphasis is on talks before women's groups, schools, etc. regarding cotton and cotton uses. The demand for such activities is far greater than the personnel time available. The personnel involved feel that this activity succeeds in making the German people more cotton conscious.

Germany does not have a fabric labeling law. The Institute, in an attempt to make people more aware of the fabric, started a campaign to sell cotton labels to cooperating firms. These labels contain the standard cotton symbol and the indication that the article is made of cotton.

Market Research

As indicated above, market research activities constituted a major portion of the German activity. Basic data on the textile industry in Germany are relatively few and studies of economic relationships in the textile industry were apparently nonexistent prior to the Institute. Furthermore, there were no government or total textile industry groups to which the industry could turn for such information. An important task

of the Institute, therefore, was to collect the necessary data and to analyze basic trends and relationships in the total textile industry. Afterwards, work could be pursued on individual fibers, including such factors as market shares of various end-uses, income-consumption relationships, and consumer preferences.

Sales Promotion

The Institute placed limited emphasis on sales promotion activities. Many Germans do not accept the value of promotion as such and advertising in particular. This was especially true during the early years of the project when the leadership of the Institute believed that there was insufficient knowledge to plan an efficient expenditure of funds in this area. The Institute also was afraid to engage in extensive advertising efforts for cotton because of possible large-scale retaliation by the synthetic fiber industry. The need for unanimous approval by the Board of Directors on any campaign also retarded the development of a sizeable sales promotion effort.

The sales promotion activities which were undertaken were placed in the hands of a large advertising agency. This will probably be done for most future sales promotion work.

Evaluation

FACILITIES AND PERSONNEL

CCI is the most effectively organized U.S. cooperator using 104(a) currencies in West Germany. The many years of promotion experience in the United States gained by the National Cotton Council provided a firm base from which CCI could draw in developing overseas market promotion programs. Personnel in CCI are competent administrators

and promotion experts. Their attention to detail in filing necessary reports, budget statements, etc. leaves little to be desired.

Apparently the German Cotton Institute is less effective from the standpoint of market promotion. This is partly due to its lack of experience in this type of activity. However, the effectiveness of its program, particularly in the public relations area, has continuously improved during the life of the project.

The effectiveness of the Institute is also hampered by its organizational framework, especially the unanimous vote rule in the Board of Directors. Personnel in the operating sections of the Institute are given relatively narrow limits of freedom within which to work. A more crucial factor, however, concerns the interests of the parent organizations and, therefore, of the Board of Directors. Most members deal with several types of fibers and are interested primarily in increased sales of total textiles. A gain in cotton consumption at the expense of other textiles is not necessarily a benefit to the members as a whole. The Institute, therefore, favors an all-textile approach as opposed to specific cotton promotion campaigns.

Still another factor is the non-agricultural orientation of the members of the German textile industry. Cotton in Germany is strictly an industrial product. In addition, German businessmen in general are opposed to agricultural programs. Thus, there is little sympathy for U.S. agricultural problems.

RELATIONSHIPS WITH FAS

Cooperation between FAS and CCI personnel has been good. CCI has been outstanding among co-operators studied in its compliance with FAS regulations. Reporting

procedures from the German Institute to CCI and from CCI to FAS are well established and have been effectively carried out in recent years. The overall spirit of cooperation between CCI and the two representative offices of FAS (the attaché and the Cotton Division) appears satisfactory.

The cotton project has been characterized by the strong reliance on the U.S. cooperator (CCI) for supervision of the work. CCI contracted with the local third-party cooperator to perform actual project operations. In this case, it has been an effective administrative procedure because: (1) the organization and experience of the National Cotton Council made it possible to contract with an experienced responsible U.S. organization that represented the entire industry; (2) it was possible to organize a counterpart group in Germany representing the entire processing industry; and (3) the cotton export trade is very highly developed.

Nevertheless there are two major drawbacks to this type of administrative organization. These are: (1) there is less opportunity to capitalize on certain activities to the overall advantage of U.S. agriculture, and (2) the possible neglect of nonpromotional activities which would enhance the position of U.S. cotton on the German market.

EFFECTIVENESS OF THE PROJECT

The stated purpose of the market development project for cotton in Germany is ". . . to promote the development of new and expanded uses of cotton in Germany . . ." Stress is placed on expanded total cotton consumption, not necessarily U.S. cotton. The implicit assumption is that U.S. cotton will share in any overall expansion. Furthermore, it is argued that promotion of U.S. cotton is virtually impossible because of the

inability to maintain identification at the consumer level. From a retail promotion standpoint this position is justified. From the standpoint of the general objectives of 104(a), however, the position is open to question. Efforts to improve quality and otherwise enhance the position of U.S. raw cotton in the German market should be encouraged to a greater extent than they are.

Statistical estimation of project impact is impossible even in terms of overall cotton consumption in West Germany. Too little information with regard to price and income elasticities, changing tastes, etc. is available. The effects of other factors that influenced cotton consumption both before and during the development project cannot be isolated. Failure of consumption to increase is not, in itself, evidence of the failure of a given promotion program. In some cases, promotion may attempt to retain a market that is slipping away. However, overall cotton consumption in Germany is increasing. Again, this is not proof of program success but may be only a response to increased consumer incomes and continuation of the trend away from the enforced use of synthetics. Nevertheless, it appears that the project has had a desirable impact on German cotton consumption even if that impact cannot be quantified.

The cotton project in Germany is aimed primarily at consumers with some efforts directed toward processors and retailers. The public relations and sales promotion work appear to be reaching the intended audience. The press release and consumer education programs are probably the most successful of the specific projects undertaken.

Considering the lack of experience in this type of work, the organizational difficulties encountered, and the difference in overall objectives on the part of FAS, CCI, and the German Cotton Institute, it must

be concluded that the German project has been reasonably successful. In other words, it appears that the cotton market development project in Germany has been effective in increasing German cotton consumption above what it would have been without such a project. A very useful side effect of the project was the creation of the Institute itself which provided a vehicle by which cotton interests may be more effectively pursued among German spinners and weavers.

U.S. exports may not have benefited from the program as much as was possible. The gross statistics of U.S. trade with Germany cover up many important factors. One is the change in export regulations for U.S. cotton that occurred about the same time as the initiation of the promotion programs. These new regulations were designed to, and did, make U.S. cotton more competitive in terms of price on world markets. It also reduced world market prices. Its effect dominated changes in trade between the United States and West Germany during the period of project operation.

Another change also took place during that period that greatly influenced U.S. trade. Complaints regarding quality of U.S. cotton shipments have been increasing. Some members of the trade indicated that the preference which existed for U.S. cotton on the German market relative to competing growths, particularly Mexican, is not as strong as before. It has been reported that some traders who previously were paying premiums for U.S. cotton over other growths no longer are willing to do so.

Many Americans argue that quality complaints are just "smoke screen attempts" to get price reductions and that American quality has not lost its position relative to other growths. There is considerable evidence to suggest that, at least in the minds of the German trade, American cotton has lost its preferred position to some degree. A quality problem that exists only in the minds of the trade can be as effective as a real problem in terms of its consequences on prices and sales.

One indication of a quality problem is the relative increase in the number of arbitrations on U.S. cotton handled by the Bremen Cotton Exchange. However, the trade has more or less "institutionalized" the arbitration process as a means of overcoming weaknesses in the grading system and/or international trading practices. A review of grade standards and trade practices in general probably is in order. In any case, greater efforts could be made to create better understanding of U.S. cotton qualities and trade practices by the German trade.

In spite of these developments in recent years, no attempt was made to use the market development apparatus to correct or alleviate these problems. In other words, no 104(a) market development activities were directed at the trade. This does not mean that nothing is being done about quality problems. Both the Cotton Division of FAS and the National Cotton Council devote efforts to these problems as a part of their regular operations. However, it would be desirable to expand work of this nature and to coordinate it with other market development activities.

CHAPTER IV. POULTRY

The German Poultry Market

POULTRY CONSUMPTION AND PRODUCTION

UNTIL RECENTLY consumption of poultry meat in West Germany was limited largely to holiday meals and special occasions. In the early 1950's annual per capita consumption of poultry meat averaged only about 2.5 pounds. This increased rapidly until consumption in 1959-60 was 8.6 pounds per capita (see table 4), more than three times as high as in the early 1950's. In fact, the rise in per capita consumption of all meats during the 1955-59 period was largely due to increased poultry meat consumption. A consumer preference survey conducted with 104(a) funds in 1958 indicated that chicken meat is preferred above all other meat except beef.

Two important economic considerations influenced the rapid poultry consumption increases. First, poultry prices fell during the last 5 years while prices rose for most other meats. Many factors, particularly poultry imports, contributed to these price trends. Second, as discussed previously, personal incomes in Germany expanded rapidly during the 1950's. Poultry meat consumption was especially responsive to income changes. Estimates indicate that the income elasticity for poultry meat is probably greater than unity—about 1.5.⁸ This means that, everything else being equal, as incomes change by 1 percent the per capita consumption of poultry will change by about 1½ percent in the same direction.

While total poultry imports are four times as great as in 1955, domestic production is only 61 percent larger. A few commercial broiler operations are developing. However, large-scale specialized poultry operations, whether for egg or meat production, are still unusual in Germany. Most domestic poultry supplies consist of fowl and young

chickens raised as byproducts to laying operations. The more popular

Table 4. Domestic production, imports, and per capita consumption of poultry, Federal Republic of Germany, 1950-1959

Year (beginning July 1)	Production* Imports*		Per capita con- sumption*
	thousand tons			pounds
1950.....	63	9	†
1951.....	66	8	†
1952.....	67	10	2.6
1953.....	76	15	2.5
1954.....	79	24	2.5
1955.....	73	34	2.6
1956.....	80	48	4.4
1957.....	97	61	5.3
1958.....	109	90	6.8
1959.....	118	146	8.6

*Dressed meat equivalent.

†Data not available.

Sources: Production and import data supplied by Institute for Agricultural Marketing, University of Goettingen. Also available for some years in the *German Statistical Yearbook of Food, Agriculture and Forestry*. Per capita consumption data are from U.S. agricultural attache reports. The basic data were obtained from the Federal Ministry for Food, Agriculture and Forestry, Germany.

⁸This estimate was provided by the Institute for Agricultural Marketing, University of Goettingen. Studies at both Goettingen and the Agricultural Research Institute in Volkenrode reveal an income elasticity of this magnitude.

broilers and fryers are almost all imported. Retail prices for the limited quantities of meat type broilers produced in Germany are generally higher than for similar imported poultry.

Two principal factors account for this slow development of domestic production. In the first place, relatively few farmers are anxious to develop specialized poultry operations. German agriculturists generally consider poultry to be the woman's enterprise on the farm. Thus, there is some lowering of status for the man who devotes full time to poultry. Second, and probably far more important, is that there is little economic incentive to expand commercial poultry operations. High local feed grain support prices relative to feed grain prices in competing poultry producing countries place the German poultry farmer at a serious competitive disadvantage.

STRUCTURE OF POULTRY MARKETS

Traditionally, slaughtered poultry was sold in German markets in the New York or French dressed style and large amounts still are. Fully eviscerated, ready-to-cook poultry was virtually unknown in Germany prior to shipments from the United States under the PL 480 Title I agreement of 1956. Currently, all U.S. poultry and increasing amounts of other poultry moving into West Germany are fully eviscerated and frozen. Consumer acceptance of this form of poultry is increasing rapidly. Nevertheless, some dealers attempt to offset any prejudice by thawing the poultry prior to sale.

As in the United States, consumer preference in poultry is moving toward the smaller, meat type chickens for frying and broiling. Thus, there is an increasing number of automatic units for broiling chickens in

stores and restaurants. In contrast to the U.S. practice, most chicken is priced at retail by the bird rather than by the pound or kilogram. Almost all poultry sold at retail is clearly marked as to country of origin and is often advertised on this basis.

Marketing channels for domestic poultry are still poorly organized. Domestic poultry generally is sold directly from the farm to consumers or retailed in small specialty shops. There are very few modern large-scale poultry producing or processing establishments.

In recent years an increasing proportion of poultry was sold in stores other than specialty poultry shops. The large increase in imports and the need for cold storage and display space stimulated this trend. In addition to chain stores and other large retail outlets in the large cities, increasing amounts of imported poultry are handled by red meat stores.

The growth of the market for frozen ready-to-cook poultry is partially limited by freezer storage and display capacity in retail stores. However, the retail market capacity to handle large quantities of frozen foods increased rapidly in recent years, particularly in the large cities. Freezer space in homes is very limited, but the German housewife is accustomed to daily marketing.

POULTRY IMPORTS

Prior to 1956, 10 to 25 percent of German poultry supplies were imported. Today imports supply more than 50 percent. Imports increased from 50.6 million pounds in 1956 to 228 million pounds in 1959 (see table 5). Poultry imports from the dollar area, however, were subject to severe restrictions throughout this period.

In 1959, almost 80 percent of West Germany's poultry imports came

Table 5. Imports of poultry by country of origin, Federal Republic of Germany, 1952-1959

Country	1952	1953	1954*	1955*	1956	1957	1958	1959
	million pounds							
United States.....			—	.1	4.4	5.7	7.1	45.4
Argentina.....			—	—	—	2.0	5.4	2.2
Denmark.....			6.2	5.5	8.7	14.8	23.1	42.3
Netherlands.....			25.6	32.2	40.9	53.6	62.0	81.2
Yugoslavia.....			2.1	2.1	5.3	3.5	3.3	2.6
Hungary.....			2.4	8.8	10.1	9.1	11.8	15.4
Poland.....			2.7	1.0	12.5	16.6	21.2	27.0
Other.....			.3	.9	1.5	2.6	8.0	12.4
Total.....	16.8	25.4	39.3	50.6	83.4	107.9	141.9	228.5

*Reports of the U.S. agricultural attache (1955 covers January to November). Source: FAS Dairy and Poultry Division.

from The Netherlands, the United States, and Denmark who supplied 81.2, 45.4, and 42.3 million pounds respectively. Dutch imports were always greater than any other country because: (1) imports are fully liberalized, (2) supplies are readily available in any desired quantity on short notice, and (3) the quality is generally good. Imports of U.S. poultry increased from 4.4 million pounds in 1956 to 45.4 million pounds in 1959—from about 5 to almost 25 percent of German poultry imports.⁹ Additional American poultry probably entered the German market by transshipment through The Netherlands.

Most imports are handled by specialized importers. However, in recent years many large retail chains and buying associations (primarily of cooperative type for retail meat stores) imported directly. While most U.S. exports are handled by brokers, some direct trading is performed by a few large U.S. processors.

The import policy of the German Government is important in the total poultry market, especially as it af-

fects the United States. Imports from almost all countries other than the dollar area are liberalized for all types of poultry. Currently, liberalization extends to the United States only for turkeys and edible offal including backs and necks. The German Government agreed to liberalize all poultry imports by July 1, 1962. However, pressure from other Common Market countries exporting large amounts of poultry to Germany and from domestic farm groups might force them to reconsider.

The mechanics by which licenses are issued has greatly determined the quality and quantity of U.S. poultry imported and the marketing channels through which it passed. An excellent summary report of this impact of the license arrangements was made by the Institute of American Poultry Industries (IAPI) in a recent report of 104(a) activities.¹⁰

However, two important factors should be mentioned here. First, licenses are issued for dollar amounts (i.e. the German Government regulates the dollar value of chicken imported from the dollar area, not the quantity). In order to increase vol-

⁹ Preliminary data indicate that U.S. poultry shipments to Germany amounted to 81.5 million pounds in 1960.

¹⁰ International Trade Development Committee of the Institute of American Poultry Industries. *First Quarter Report, 1960, Germany*, pp. 11-15.

ume, importers are pressured to buy the lowest-priced chicken available. In turn, this leads to shipments that do not meet or barely meet grade standards. It also encourages use of the cheapest and poorest quality packaging. This element of the quality problem faced by U.S. chicken in Germany has existed in spite of the regulations that only grade A chicken can be imported under the license arrangement.

The second factor is the relatively small dollar value of individual licenses. This led to trading of licenses among importers. Estimates are that this trading increased the price of U.S. poultry from about 5 to 10 percent.

Important structural changes are taking place as the market for imported frozen poultry develops. Several competing groups are interested in the expansion of frozen poultry sales. Because of the importance of the import license regulations, there are conflicts among these groups regarding American poultry. Future developments in structure of the German poultry market will depend largely upon the results of their competitive struggle.

Three principal groups of businessmen are involved:

1. Traditional importers. The large importers generally desire to maintain long established trade contacts in The Netherlands and Denmark. Therefore, a large proportion of American poultry has been handled by smaller firms. There are also several large houses that serve primarily as representatives of large American firms.
2. Large chains that often import poultry on their own account. Poultry is only a small part of their total business.
3. Cooperative buying associations for retail meat shops. Because retailing of poultry traditionally

was done in specialty shops, this group is newly established in the poultry market. Along with the chain stores, they represent a significant change in the market structure.

History and Details of Project Operations

Poultry market development began with the PL 480 Title I sale of \$1.2 million worth of American poultry to Germany in 1955-56. American poultry was virtually unknown in Germany prior to this time and marketing channels for it were not established. Although the German market was not accustomed to fully eviscerated, read-to-cook poultry, the United States shipped only this type under the PL 480 sales agreement. At first, shipments to Germany moved rather slowly. No significant sales probably would have resulted without the amendment to the initial agreement which provided for a freight subsidy.

After the start of the Title I sales a team representing the U.S. poultry industry traveled to Germany. This team consisted of three members of the International Trade Development Committee of the poultry industry. The International Trade Development Committee represents the major U.S. poultry organizations including: the Poultry and Egg National Board, the National Turkey Federation, the National Broiler Council, the American Poultry and Hatchery Federation, the Institute of American Poultry Industries (IAPI), Delmarva Poultry Industries Inc., The Arkansas Poultry Federation, and the Virginia Poultry and Turkey Federation. They wished to survey the market and to determine the potential for market development work.

Due primarily to the favorable impressions gained through this survey, IAPI was selected by the Interna-

tional Trade Development Committee to represent the U.S. poultry industry in cooperative market development work with FAS. A representative of IAPI carried out in Germany a series of cooking and carving demonstrations for U.S. poultry meat in the fall of 1956. This representative also made contacts with importers, wholesalers, retailers, hotel managers, and others concerned with the marketing, importing, and sale of U.S. poultry.

In early 1957 IAPI representatives traveled to Germany to confer with the agricultural attaché and his staff concerning future market development programs. Conferences were also held with importers, wholesalers, and retailers concerned with the use of poultry in Germany. As a result of these conferences, IAPI opened a European area office in Germany. Two men, an American and a German-speaking assistant who had received an M.S. degree in poultry products marketing in the United States, were assigned to this office. They began promotional activities on a fairly large scale. A promotional effort for U.S. turkeys was launched for the Easter period of 1957. Since almost all turkey available in the German market comes from the United States, in effect, they were advertising U.S. turkey. Advertisements in newspapers and consumer magazines as well as posters and display material for stores were utilized.

IAPI continued promotional activities for poultry, by stressing the advantages of frozen ready-to-cook chicken. Contributions were made for store demonstrations of carving and serving and for radio and television work. The German office supplied a bulletin to the U.S. trade giving information on shipping and marking poultry for German sale. This stressed the quality, uniformity, weight, and markings necessary for effective competition in Germany.

From 1957 to 1959, U.S. poultry was promoted at several trade fairs held in Germany. Demonstrations included carving and serving as well as taste samples of U.S. chicken and turkey. In 1958, a 30-man German trade team, at their own expense, visited the United States to observe poultry producing areas and processing plants and to study distributional methods and trade promotional activities.

Additional promotional activities included demonstrations carried on by home economics departments of utility companies, distribution of promotional literature, magazine and newspaper advertising, and illustrated promotional material. A specific advertising symbol was developed and used throughout all the later advertisements. It reminded housewives of the advantages of ready-to-cook poultry.

Throughout the project, promotional campaigns stressed ready-to-cook poultry. In the early years, this was equivalent to stressing U.S. poultry because very limited quantities were available from other sources. Today, however, Danish, Dutch, and local sources supply large quantities of ready-to-cook poultry. Currently IAPI is considering promotional campaigns that deal specifically with U.S. poultry.

In 1958 IAPI sponsored a market research study conducted by a private research agency. It was designed to indicate consumer preferences and consumer buying habits with regard to poultry. Since its completion, this study served as a basis for planning the promotional activities of IAPI in Germany.

IAPI, the cooperator, also participated in the trade luncheons given by the agricultural attaché for members of the German press, radio and television industries; importers; and officials of the German government.

The central office for market development projects for poultry in five

European countries is in Frankfurt. In March 1959, the original European director retired and was subsequently replaced by an experienced promotion and advertising expert.

No formal third-party contract was signed. In the early years of the project, an informal working arrangement was established with the Bund Deutscher Wild-und Geflügelimporteure (German Game and Poultry Importers). This group helped organize the trade visit to the United States in 1958, but made no formal contribution to the market development work.

Evaluation ORGANIZATION

Export sale of U.S. poultry is a relatively new development. The poultry industry was not effectively organized to assume the responsibilities for market promotion work overseas. Unlike cotton and other traditional export commodities, channels of foreign trade were not well established at the time PL 480 operations began.

IAPI is the representative of the entire U.S. poultry industry for the development and administration of 104(a) projects. The IAPI office in Chicago is in charge of foreign market promotion and development work. The most effective aspects of the project during the early period of organization probably were the buildup of contacts with the trade and the trade fair exhibits.

The decision not to enter into formal third-party arrangements appears to have been wise. The structure of poultry marketing in Germany is undergoing rapid change. In light of the import regulations and the conflicts that have developed, IAPI should not become too closely tied to any one organization of handlers. There is little possibility of

creating an organization that represents a large portion of the handlers under present conditions.

GENERAL COMMENTS

As with other projects it is difficult or impossible to appraise the impact of the project statistically. This difficulty is greater in the poultry example because of the import restrictions. Since the start of the program there was no difficulty in selling all the chicken permitted by licensing and quota regulations. From this standpoint, therefore, the program could not have been more effective.

The outstanding feature of the poultry story in West Germany is, however, the combined use of Title I and 104(a) provisions of PL 480 to open and develop a new market. It is unlikely that 104(a) work in the absence of the Title I sale could have been successful. This was a true case of market development. It dealt with a product that was relatively unknown (frozen ready-to-cook poultry); the facilities and experience on both sides of the market were limited; and the United States had a definite quality, production, and price advantage.

Consumer demand for poultry in Germany is strong. Both price and income elasticities are higher than in the United States. At first the basic problem was to make contacts, to open up channels of trade. The project was reasonably effective in establishing these contacts. Considerable interest was generated both in the United States and in Germany for an expansion of poultry trade. There is less evidence, however, that the promotional advertising in the trade journals and at the consumer level reached its audience. This does not necessarily imply that the advertising was not worthwhile. Because of the structural characteristics

of the market (the licensing regulations, the changing relationships among importers, and the high price and income elasticities for poultry), it was impossible, with the resources available for this evaluation, to determine the effect of direct promotion techniques on the expanded poultry consumption. As suggested for the cotton project, procedures to test the effectiveness of alternative promotion schemes could be incorporated in 104(a) project activities. The European director is including some work of this type in his future plans.

Quality problems do exist. To some extent these problems result from the licensing restrictions. However, evidence suggests that some contracts are fulfilled with inferior quality merchandise. The German buyer, however, has no recourse except through American courts. This makes it especially difficult for the small importer to be reimbursed for shipments that do not meet the contract specifications.

One quality problem is the practice of shipping wax paper wrapped U.S. poultry. This is common in U.S. military specifications but has no eye-appeal. Most frozen poultry from other countries is shipped in a shrinkable transparent film pack and is "plumped." In retail freezer cases stretched out birds are far less attractive than the plumped birds.¹¹ Since most birds are identified by country of origin in the retail stores, American poultry has not shown well at the consumer level. American birds seem to be superior to those from other countries and to domestically-produced broilers in terms of meatiness and other quality characteristics.

An additional problem concerns packaging and marking. German

birds are generally sold by the head rather than by the pound. Thus, it is important that individual packages should contain birds of about equal weight. The Danish exporters, for example, recognized this fact and ship poultry in boxes containing birds which do not vary in weight by more than 50 grams. IAPI urged American exporters to ship birds in the same manner but apparently without much success. Moreover, few shipments from America are marked in German. Partly as a result of the licensing problems discussed earlier and partly because of U.S. exporters' inexperience and indifference, the overall packaging of American poultry for export is inferior to that of most major exporting nations.

In the long run, stringent export regulations might be desirable for U.S. poultry. Because of disadvantages due to distance—high freight rates, inability to fill orders on short notice, etc.—the American trade cannot afford to lose sales due to packaging and overall quality considerations where it can be fully competitive. The image created during the early stages of a market development situation can have important long run effects on future acceptance and consumption of the product.

FUTURE PROSPECTS

Prospects for increased exports of poultry to Germany in the near future are extremely bright, especially if the proposed liberalization goes into effect as planned by July 1962. However, competition in this market is increasing. Poultry production in both Denmark and The Netherlands, our principle competitors, is expanding rapidly. Their efficiency of production and quality of product probably will equal that of the United States relatively soon. As far as do-

mestic German production is concerned, it is unlikely that a large poultry industry will develop until there are changes in the feed grain price support structure. Nevertheless, considering the distance involved and the freight cost, the United States may not be able to depend on a large export market for its poultry products in Europe over the long run (in 10 to 15 years). This does not deny the value of exploiting the short-run possibilities.

Effective implementation of the current Common Market proposals

for agriculture also could have a severe adverse effect on U.S. poultry imports. The Netherlands and potentially Italy could compete effectively with U.S. poultry under these conditions. However, consumer interest in the Common Market countries will probably force serious reconsideration of import duties that will raise poultry prices. Furthermore, U.S. poultry has considerable consumer acceptance. Therefore, resistance probably would develop against attempts to exclude U.S. poultry from the market.

CHAPTER V. SOYBEANS

The Market Situation

THE DEMAND FOR SOYBEANS

THE DEMAND for soybeans and other oilseeds results from the demands for their products—soybean oil and soybean meal or cake. The market for U.S. soybeans in Germany can be understood only with a knowledge of the markets for these two broad groups of products. Domestic production of oilseeds, primarily rapeseed and linseed, constitutes less than 10 percent of total German oilseed supplies. Therefore, in many respects, soybeans are an industrial raw material in West Germany.

Soybean Oil

The market for soybean oil is similar in Germany to the United States. Soybean oil is known primarily as an edible vegetable oil. Relatively small amounts are utilized in industrial processes. Major outlets for the edible vegetable oils include salad, cooking, and table oils; margarine; and shortening. Vegetable oils such as soybean, cottonseed, peanut, copra, and palm oil are interchanged readily in the manufacture of these food products. The relative quantities consumed of the various oils depend not only upon the desired product characteristics but also upon price relationships. Vegetable oils, in turn, compete with other fats

and oils such as lard, butter, and marine oils.

Annual per capita consumption of all fats and oils was relatively stable during the late 1950's (see table 6). However, it was about 10 pounds higher than prewar. Virtually all of the increase was in margarine, an important soybean oil-using product, with average per capita consumption in the late 1950's almost double prewar levels. In recent years butter consumption increased slowly and has almost regained its prewar level.

Fats and oils, excluding butter, have small but negative income elasticities. Butter has a relatively large positive income elasticity. Thus, increases in income, other things be-

¹¹ There is some evidence that the waxwrap pack from the United States is becoming less popular as shipments of birds in shrinkable transparent film packages become more competitive in price.

Table 6. West German per capita consumption of edible fats and oils. Fat content basis, prewar and annual 1952-1958

Product	Average								Fiscal year 1959-60*
	1935-38	1952	1953	1954	1955	1956	1957	1958	
pounds									
Vegetable and marine fats and oils:									
Margarine.....	10.6	18.7	20.6	21.2	21.8	22.8	21.9	20.9	19.6
Shortening.....	2.6	2.5	2.3	2.4	2.2	2.4	2.2	2.2	2.2
Table oil.....	4.4	3.1	3.6	5.0	5.3	5.7	5.7	6.2	6.4
Total.....	17.6	24.3	26.5	28.6	29.3	30.9	29.8	29.3	28.2
Butter†.....	14.8	11.9	11.4	12.5	12.3	12.6	13.2	13.7	14.1
Slaughter fats‡.....	13.9	12.7	13.1	12.3	13.4	13.2	13.0	12.6	12.7
Total consumption.....	46.3	48.9	51.0	53.4	55.0	56.7	56.0	55.6	55.0

*Compiled from agricultural attache's Report No. 33, October 13, 1960.

†Includes farm butter estimate.

‡Includes home slaughter estimate.

Source: FAS Fats and Oils Division.

ing equal, will probably cause slight decreases in fats and oils consumption other than butter.¹² Therefore, increases in the use of soybean oil in food products will depend largely upon population growth and the degree of substitution with other oils.

Although Germany extracts most of her own soybean oil from imported beans, some soybean oil is imported (see table 7). Oil imports equaled only about 9 percent of do-

mestic soybean oil production in 1958. This was a considerable reduction from earlier years. For example, in 1953 imports were 34 percent of domestic output. Preliminary data indicate that imports in 1959 and 1960, although increasing, were still less than 20 percent of domestic production.

The German Government imposes a 5-percent duty on crude soybean oil imports with no quantity restric-

Table 7. Soybean oil imports by country of origin and U.S. share of total, West Germany, 1953-1959

Country	1953	1954	1955	1956	1957	1958	1959
thousand tons							
United States.....	9.2	3.9	.9	4.6	12.9	2.1	8.3
Netherlands.....	11.4	14.9	5.7	6.3	4.3	.1	.6
Belgium.....	2.7	2.2	.4	1.1	*	.1	*
Canada.....	*	2.6	5.4	14.5	3.5	3.0	*
Denmark.....	1.5	*	.6	2.7	3.7	4.0	4.4
Japan.....	.6	3.8	1.3	1.1	2.1	.1	*
Others.....	5.8	8.2	8.2	5.4	3.2	1.3	2.2
Total.....	31.2	35.6	22.5	35.7	29.7	10.7	15.5
U.S. percent of total.....	29	11	4	13	43	20	54

*Data not available.

Source: FAS Fats and Oils Division.

¹² Estimates of elasticities were provided by staff members of the Agricultural Marketing Institutes at Goettingen and Volkenrode.

Table 8. Production of oilseed meals and oil cakes, West Germany, 1950-1959

Oil meal from:	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
thousand tons										
Soybeans.....	57.3	251.3	61.7	175.3	221.6	404.5	467.4	552.2	543.4	795.9
Palm kernels.....	60.6	56.2	66.1	62.8	93.7	67.2	59.5	46.3	66.1	76.0
Copra.....	27.5	44.1	58.4	59.5	77.2	100.3	114.6	130.0	95.9	62.8
Peanuts.....	17.6	17.6	13.2	19.8	18.7	8.8	19.8	13.2	47.4	43.0
Others.....	61.9	114.7	96.0	122.4	78.2	68.4	65.1	72.9	98.2	61.8
Total.....	224.9	483.9	295.4	439.8	489.4	649.2	726.4	814.6	851.0	1039.5

Source: Data compiled from statistics at Goettingen University, Institute for Market Research.

tions. Refined oil is subject to a 10-percent duty and an import license and equalization fee system designed to regulate incoming quantities.

Soybean Meal

The second, and perhaps most important group of soybean products with respect to potential market expansion in Germany, is soybean meal and cake. In Germany most soybean meal and cake is used to feed livestock. Soy flours for human food constitutes a small proportion of German consumption and is used largely by institutions. Experience with low-quality soy flour provided in the postwar relief program created a negative attitude in many German consumers toward soy food products generally. Consequently, the discussion of the market and market potentials for soybean meal in Ger-

many will be mainly confined to its use in animal nutrition.

The total market for oilseed meals and cakes in Germany expanded greatly during the 1950's. Data in table 8 indicate that between 1950 and 1959 production of all oilseed meals and cakes increased 362 percent. Soybean meal, as a percentage of total oilseed meals produced, increased from 26 to 77 percent during the same period. The total supply and utilization data for oilseed cakes and meals are presented in table 9. The total annual quantities available have more than doubled since fiscal year 1953-54. German soybean meal and cake imports by the country of origin, U.S. share, and the percent of domestic production represented by imports are shown in table 10.

United States' soybean meal exports to Germany increased greatly in late 1959 and early 1960. This was

Table 9. Supply of all oil cakes and meals, West Germany, 1950-1959

Source	1935	1950-51	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59
thousand tons								
Production.....	568	420	489	573	742	818	878	956
Changes in inventory.....	*	+90	-39	+9	+20	+34	-39	+31
Imports.....	91	114	308	368	422	497	649	758
Exports.....	*	13	226	248	334	291	242	231
Consumption.....	659	431	610	684	810	990	1324	1452

*Data not available.

Source: German Statistical Yearbook of Food, Agriculture and Forestry, (Hamburg: Paul Parey, 1959), p. 94.

Table 10. Soybean cake and meal imports by country of origin, West Germany, 1953-1959

Country	1953	1954	1955	1956	1957	1958	1959
	thousand tons						
United States.....	*	.1	2.3	5.7	5.2	4.4	47.2
The Netherlands.....	11.3	8.4	7.0	5.9	5.1	24.0	*
Brazil.....	*	*	*	*	*	3.9	*
U.S.S.R.....	*	*	*	*	*	6.0	*
Others.....	2.0	2.1	1.2	1.1	*	.4	*
Total.....	13.3	10.6	10.5	12.7	10.3	38.7	*
U.S. percent of total.....	*	*	22	45	50	11	*
Imports as a percent of domestic production.....	8	5	3	3	2	7	*

*Data not available.
Source: FAS Fats and Oils Division.

partially due to the European drought of 1959 and the unavailability of oilseed meals from other sources.¹³

Exports of U.S. soybean meal to Germany will probably drop from the current high levels. The quantities of soybean meal imports have remained small relative to domestic production. Furthermore, soybean meal imports usually represented less than 5 percent of total oilseed meal and cake imports.

The Ministry of Agriculture collects no duties on imported oilseed meals but imposes a licensing and equalization fee system to regulate the market. Actually, Germany is a net exporter of soybean meal and cake. In 1959, for example, her net export balance was 154,870 tons of soybean meal. Denmark and France are her largest outlets for oil meal.

The expansion of the market in West Germany for all oilseed meals, including soybean meal, is due to three major factors: (1) the growth of the mixed feed industry (see table

11), (2) the shift to more high-protein feeds in home-mixed rations, and (3) the increase in animal numbers. Production of mixed feeds has followed roughly the same pattern as in the United States. Poultry feed production ranks first, followed by mixed feeds for hogs and cattle. The demand for mixed feeds will probably continue to grow in all sections of the livestock economy. However, the domestic poultry industry should expand more rapidly than others and, thus, so will the demand for mixed poultry feeds.¹⁴ Members of the oil-milling and feed-milling trade indicated that at present the most important outlet for soybean meal is in cattle feed. However, increasing amounts are being used in mixed poultry feed where it competes strongly with various fish meals.

Direct feeding of oilseed meals by farmers is also increasing. Estimates are that slightly less than half of all oilseed meals consumed by livestock are fed directly, and more than half of the soybean meal consumed is fed

¹³ Some government and trade representatives argue that low world prices for soybean oil coupled with the large PL 480 shipments in 1959 made it difficult for German crushers to move their soybean oil production into normal outlets at favorable prices. This placed the German industry at a temporary competitive disadvantage because an abnormally poor market for soybean oil made it difficult to cover milling costs and still meet the price of U.S. soybean meal in their own markets.

¹⁴ Growth of the domestic poultry industry will largely depend upon future levels of feed grain prices. Currently, the domestic industry is retarded due to high support levels for feed grains, but the agricultural policy decisions of the Common Market may reduce these present high price levels.

directly. Educational and promotional activities by research and industry groups are becoming increasingly important in encouraging the feeding of better-balanced, higher-protein rations by farmers. The development and spread of the toasting process in the preparation of soybean meal in Germany has helped increase its use as feed. This toasting process makes more amino acids available to the animal and greatly aids feeding efficiency.

Animal numbers increased in the livestock groups which consume large quantities of high-protein feeds. The number of poultry, swine, and cattle grew continually in post-war years. Poultry numbers increased 15 percent between fiscal years 1952-53 and 1959-60. Numbers of swine and cattle increased 14 and 6.5 percent respectively during the same period. These figures partly reflect the ability and desire of consumers to purchase larger quantities of meat and other livestock products. Estimates of the income elasticities for beef, pork, and eggs range from 0.4 to unity. The income elasticity for poultry meat is estimated to be well over 1.0.¹⁵

There are, however, two or three factors that hinder the growth rate of the oilseed meal industry in general and the soybean meal industry in particular. First and most important is the traditional feeling of German agriculturalists that vegetable protein sources are inferior to animal protein sources such as fish meal and meat scrap. Under the Basic Feed Law, the Ministry of Agriculture publishes detailed regulations (called "frames") on the amounts and kinds of ingredients that can be used in feeds for various types of livestock. The ranges of substitution for high protein feeds are rather small. For a given level of protein specified by the Ministry, the maximum percentage of toasted soybean meal permitted often equals no more than the minimum percent of fishmeal permitted.

Secondly, there is a lack of reliable feeding trials and nutritional research using soybean meal as an important ingredient. Research results achieved in the United States are mainly considered nonapplicable because one of our basic feed ingredients, corn, is not widely used in Northern Europe.

Table 11. Production of mixed feeds, West Germany, 1952-1959

Mixed feeds for:	(Year beginning July 1)							1958	1959*
	1952	1953	1954	1955	1956	1957			
	thousand tons								
Poultry.....	430.5	656.0	835.2	855.8	965.2	1172.4	1339.5	1460.1	
Hogs.....	169.0	262.2	467.1	666.2	820.3	840.2	940.0	1144.0	
Cattle.....	344.8	381.3	471.8	548.1	608.1	740.4	811.6	980.2	
Calves.....	6.8	18.0	27.3	43.3	57.6	69.1	83.5	95.7	
Horses.....	15.9	16.4	17.4	13.3	12.3	11.4	9.8	11.9	
Other.....	18.3	19.0	26.3	42.3	43.9	31.3	38.6	†	
Total.....	985.3	1352.9	1845.1	2169.0	2507.4	2864.8	3223.0	†	

*Estimates based on monthly figures July to December 1959.

†Data not available.

Source: Data compiled from *German Statistical Yearbook for Food, Agriculture and Forestry*, (Hamburg: Paul Parey, 1959), and agricultural attache's reports.

¹⁵ Estimates provided by staff members of the Agricultural Marketing Institutes at Goettingen and Volkenrode.

In summary, the oil cake and meal market in Germany probably will continue to expand. The local crushing industry should meet the bulk of the demand. Estimates show that there exists excess processing capacity up to at least 30 percent of current production. Therefore, the greatest potential for U.S. exports in this area likely will be for whole beans rather than processed commodities.

THE PROCESSING INDUSTRY AND TRADE IN OILSEEDS

The German crushing and processing industry is well organized and technically advanced. The solvent process of oil extraction and other technical innovations originated in Germany. In certain respects, oilseed crushing in the Federal Republic is as far advanced technically as in the United States although the mills are generally smaller and less specialized. The solvent process of oil extraction predominates, but many screw press and a few hydraulic press operations still exist. In 1958 there were 54 oil mills reported operating in Germany. Of these 54 mills, 28 employed 99 percent of the workers in the industry and made virtually all of the sales.¹⁶ The international firm Unilever maintains

extensive interests in the German market. Its activities and policies, therefore, are an important part of the total oilseed crushing and refining industry.

The oilseed processing industry is represented by the Verband Deutscher Oelmuehlen e.V. (German Oilmillers Association) which is the "third-party cooperator" for soybean market development work in Germany. This association coordinates the interests of the German oilseed industry and includes virtually all oilseed processors. Therefore, the members of the Oilmillers Association process and refine oilseeds competitive with soybeans.

Soybeans replaced palm kernels and copra as the most important oilseeds processed in the expanding crushing industry of postwar West Germany. From 1953 to 1959 soybean imports increased 355 percent—from 219,000 to 995,700 tons—while total oilseed imports rose 95 percent. In terms of oilseeds processed in German oil mills, soybeans increased from 14 to 48 percent of the annual total between 1950 and 1958. The total tonnage of oilseeds processed increased 178 percent during the same period.

Soybeans exported to Germany are an important commodity in terms

Table 12. Oilseed imports, West Germany, 1953-59

Oilseeds	1953	1954	1955	1956	1957	1958	1959
	thousand tons						
Soybeans.....	219.0	277.0	505.3	583.7	690.8	679.8	995.7
Copra.....	171.0	220.5	287.2	329.0	371.4	274.1	179.9
Palm kernels.....	120.4	179.3	128.4	115.4	89.3	127.7	146.4
Rapeseed.....	56.0	22.4	9.2	7.3	31.4	98.0	20.1
Peanuts.....	54.4	54.6	31.9	60.9	43.3	108.1	66.6
Others.....	173.9	128.1	120.8	119.5	113.0	95.3	140.0
Total.....	794.7	881.9	1082.8	1215.8	1339.2	1383.0	1548.7

Source: FAS Fats and Oils Division.

¹⁶ German Statistical Yearbook for Food, Agriculture and Forestry, (Hamburg: Paul Parey, 1959), p. 191.

Table 13. Soybean imports by country of origin, West Germany, 1953-59

Country	1953	1954	1955	1956	1957	1958	1959
	thousand tons						
United States.....	140.4	227.7	383.3	488.8	675.0	591.5	742.9
China, mainland.....	51.9	33.9	100.2	78.7	14.0	86.8	248.9
Brazil.....	19.6	7.3	13.2	8.7	.1	*	*
Others.....	7.1	8.1	8.6	7.5	1.7	1.5	3.9
Total.....	219.0	277.0	505.3	583.7	690.8	679.8	995.7
U.S. percent of total.....	64	82	76	84	98	87	75

*Data not available.
Source: FAS Fats and Oils Division.

of both the overall value of U.S. agricultural exports to Germany and the U.S. share of the world soybean market. In crop year 1959-60, the United States exported 15.3 million bushels of soybeans to West Germany. This represented 11 percent of total U.S. soybean exports and placed Germany behind only Japan, The Netherlands, and Canada in imports of U.S. soybeans. In 1959 soybeans accounted for approximately 17 percent of the total value of agricultural commodities and 5.5 percent of the total value of exports shipped to Germany by the United States.

Only a few countries of the world produce soybeans for export. Consequently, the only significant competition faced by the United States comes from China and, to a lesser extent, Brazil. Recently, competition from Communist China in both price and quality became more pronounced. Imports of soybeans to Germany by country of origin and the percentage supplied by the United States are shown in table 13.¹⁷

Like other commodities with a history of international trade, the marketing channels for soybeans in Germany are well organized. Beans are imported by established importing firms or by integrated agencies of crushers and processors. Soybeans

follow traditional grain-trading channels from the importer to the processor.

Details of Program Operation HISTORY

The original market development agreement between FAS and the Soybean Council of America was signed in August 1956 and provided for a multicountry program. Provision was made for operations in West Germany, and Deutsche Marks were included in the budgeted contribution from FAS. An overseas office of the Soybean Council was established in Rome, and projects were activated in Spain and Italy in 1957. No activities were undertaken in Germany until a third-party agreement was negotiated with the Oilmillers Association early in 1959.

The contract with the Association is subject to annual renewal and currently extends through 1961. It provides that the Association may be reimbursed from 104(a) funds for up to 50 percent of expenses incurred in the promotion of soybean products. Until now, market development activities in Germany for soybean products were carried out almost exclusively by the Association

¹⁷ Variations between imports by country of origin and exports by country of destination are caused by transshipments through intermediate countries.

and entirely under its own direction.

A broadened and enlarged contract between FAS and the Soybean Council was signed in January 1960. This agreement, termed the "Global Contract," provides the Soybean Council with the authorization and funds to conduct market development projects in 42 countries, including continued activities in West Germany. Until recently, administration of the German project on the part of the Soybean Council came from the Rome office. Under the new FAS-Soybean Council agreement, a country director for Germany hired with local currency operates from Hamburg. The working agreement with the Oilmillers Association probably will continue to be part of the broadened scope of operations.

In 1959 the Soybean Council hired a German home economist to conduct a program of cooking and serving demonstrations for soy foods. Her responsibilities include activities in countries other than Germany. In Germany she works at FAS trade fairs and with institutional feeding plants promoting the value of soy foods in large-scale food preparation.

NATURE OF PROJECT OPERATIONS

The third-party cooperator devised and implemented most of the promotional activities. The German Oilmillers, therefore, primarily determined the scope and direction of the German soybean project to date. This arrangement emphasized a peculiar set of problems which affected policy and program development. These problems include: (1) a possible conflict of interest within the Oilmillers Association because soybeans represent only one alternative to the oilseed crusher; (2) a possible weakening of U.S. trade relationships with other German users of soybeans or soybean products due to dealing

exclusively with one group; (3) almost certain opposition to any proposal to stimulate sales of U.S. soybean oil or meal.

In this section the principal organizations concerned with the program are described along with some details of the actual program operations.

The Soybean Council of America was formed in 1956 from two parent groups: The American Soybean Association representing growers and the National Soybean Processors Association representing industry. It was organized primarily to take advantage of market development opportunities arising under Section 104(a) of PL 480. It is financed by voluntary contributions collected from processors.

Leadership of the Council is provided mainly by the president and the executive director operating from Waterloo, Iowa. The overseas director in Rome has overall responsibility for the administration of projects in foreign countries. He also implements the "Global Contract" in countries where no local staff exists.

The German Oilmillers Association has two major functions. It acts as a lobbying organization with the Federal Government and conducts promotional work for the products of its members. The general secretary of the Association is located in Bonn where he is close to the important governmental agencies and is centrally located to the two major processing areas, the Hamburg area and the Lower Rhine area. Other activities of the group are directed from Hamburg by an executive of a large crushing and processing firm. Efforts of the Association in promotion include participation in trade fairs, research, and educational work in the use of oilseed meals.

The Oilmillers Association makes no effort to promote the use of soy-

bean oil at the consumers level. This would encounter strong opposition from groups such as the domestic dairy industry. Furthermore, brand advertising of margarine and table oils is well established in West Germany.

The Oilmillers Association conducted promotion activities before 104(a) funds became available. The agreements with the Soybean Council merely increased their operations. Since the life of this organization does not depend on 104(a) funds, the Association can take a rather independent position regarding the 104(a) project. One evidence of this is their insistence on a year-to-year agreement with the Soybean Council, but efforts are being made to secure a longer term contract.

The Oilmillers are interested in promoting products of their own manufacture and, therefore, would not welcome an active proposal to promote imported oil or meal. The recent increase in imports of American soybean meal to Germany and PL 480 oil sales to other European countries does not meet with the general approval of the Oilmillers Association.

REVIEW OF PROJECT ACTIVITIES

As indicated previously, actual promotional work for soybeans has been conducted only since 1959. The most important promotional activity of the Oilmillers Association involves advertising in agricultural newspapers and technical magazines. The advertising stresses the value of German oilseed meals, especially soybean meal, in livestock feeding. In 1959 and 1960 the Oilmillers Association reported that advertising was placed in 40 to 50 papers and magazines having a circulation of about 2 million. In 1959 and the first 6 months of 1960 the equivalent of \$42,000 was spent on advertising. The Soybean Council provided

\$12,000 of FAS funds. For 1960 the Association allocated 80 percent of its budget for this type of promotion.

In 1959 a 15-minute animated cartoon film was produced by the German Oilmillers Association for promoting oilseed meals, especially soybean meal, in livestock feeding. This film, "Kongress der Tiere" ("Congress of the Animals"), was used at trade fairs exhibits and by schools, farm groups, institutes, and movie theatres. The Soybean Council provided the equivalent of \$6,000 in 104(a) funds for distribution and presentation of the film.

At the start of the German project, the Soybean Council tried to draw the Mixed-Feed Association into a formal third-party cooperative agreement but was unsuccessful. Beside the broad interests of feed manufacturers regarding the use of feedstuffs competitive with soybean meal, other conflicts of interest exist. First, the Oilmillers Association promotes **home mixing** of livestock feeds to offset governmental regulations that reduce the quantities of oilseed meals used in mixed-feeds.

Secondly, the Oilmillers Association objects to the use of low-priced U.S. soybean meal by the mixed-feed industry. They feel that their case for protectionism is particularly strong because meal imports disrupt their markets and make planning for the yearly crush of oilseeds difficult and risky. The Soybean Council's new director in Hamburg will attempt to effect some type of agreement between these groups which should aid the overall market development project.

Project activities undertaken in Germany by the Soybean Council, other than those implemented with the German Oilmillers Association, included FAS trade fair exhibits, participation in the "Buffet USA" luncheon series, and the work of the soy food demonstrator.

Evaluation

Soybean project activities in Germany were rather limited and confined largely to promotional and trade fair work. Advertising efforts emphasized the value of German oilseed meals in livestock feeding. The individual ads were well designed, aimed at the appropriate audience, and probably stimulated the use of soybean meal among those who were already aware of the value of high protein concentrates.

It is difficult to assess the scientific activities of the Oilmillers Association regarding research into the possible uses of soybean products in livestock nutrition. In its research and educational efforts, the Oilmillers Association has recently employed a former instructor of animal nutrition to devote full time to promotion and research, primarily in soybean meal. He is potentially a valuable addition to the Association staff and could coordinate the Association's research efforts with that of USDA and other organizations.

The basic difficulty faced by the Soybean Council in Germany arose from an administrative arrangement which did not entirely meet the market development needs of the German situation. The third-party arrangement is well suited to the cotton program where most market development efforts have been promotional in nature. For soybeans, however, more effort should be, and apparently will be, directed toward more "basic" or nonpromotional market development activities. This attitude is reflected in the placing of a country director in Hamburg. Likewise, the Soybean Council has

increased their use of trade fairs and personal contacts with German research institutes and feeding experts. Feeding and nutrition seminars and symposiums directed at German conditions are also receiving more attention in current plans. These are activities which the German Oilmillers Association would not and could not be expected to organize and administer. Soybeans, like poultry, are currently experiencing an expanding market situation and there are many opportunities for basic market development work.

By shifting some emphasis away from the third-party agreement, the Soybean Council can take advantage of other promising market development opportunities of a more "basic" variety. Quality problems of soybean imports to Germany, although not great, caused some difficulty. The Germans claimed that some U.S. shipments contained poisonous jimson weed. Although this may be little more than rumor in some cases, tracing these claims might prove beneficial. A publicized effort by the Council to investigate export quality problems and review the possibility of a better export grading system would also be an excellent market development activity.

The implementation of the "Global Contract" caught the Soybean Council short on qualified personnel and other resources in various countries. As the Council develops this multicountry program, increased emphasis should be directed toward the market development activities with the greatest potential for long-run benefits to the U.S. soybean industry. Many of these activities are nonpromotional in nature.

CHAPTER VI. WHEAT

The Market Situation

PRODUCTION AND CONSUMPTION OF WHEAT IN GERMANY

AS IN MANY advanced countries, the market for wheat is declining in Germany. Per capita consumption of wheat flour, although relatively stable during most of the 1950's, declined more than 7 percent from 1955 to 1959 (see table 14). With further increases in consumer income, future declines in per capita consumption are expected. Estimates of the income elasticity for wheat products indicate that it is about -3 .¹⁸

Rye products are of greater importance in the consumption patterns of Germans than Americans. However, the rye flour consumption decreased even more rapidly than wheat. Per capita rye consumption decreased from 77 pounds in fiscal year 1950-51 to 54 pounds in 1958-59. Thus, total consumption of wheat and rye flour declined from 214 pounds in the fiscal year 1950-51 to 182 pounds in 1958-59. The U.S. per capita consumption of wheat and rye flour in 1959 was 120 pounds (rye flour consumption was only 1.2 pounds per person).

Wheat is one of the most important crops in German agriculture and has been strongly protected by agricultural and import policies. Under a favorable price support structure, production increased throughout the 1950's (see table 15). Because of climatic conditions, however, domestic production of hard wheats is impossible. Thus, wheat imports are needed to produce a flour of satisfactory bread-baking quality. Large quantities of domestic wheat production are used for livestock feed, particularly in years when the harvest season is wet.

Exports, mostly in the form of flour, increased almost tenfold during the 1950's. Exports constitute slightly more than 15 percent of total production and less than 10 percent of total supplies. To relieve some pressure on price created by increased domestic wheat production, government practices have encouraged exportation of flour milled with domestic wheat.

Imports vary yearly depending upon the size and the quality of the domestic crop. In the 1950's the relative importance of annual imports varied from slightly more than domestic production to about 75 percent of domestic production. Imports, as a percent of production, will probably decline in the years ahead although the need for quality hard wheats in milling will enforce a practical limit to this trend.

The U.S. share of imports showed a steady downward trend during the 1950's. However, 1951 and 1952 were exceptional, the United States providing 69 and 51 percent respectively of total wheat imports (see table 16). U.S. imports in 1959 were only 15 percent of total imports, compared with 27 percent in 1953. In quantity terms U.S. shipments to Germany

¹⁸ Estimates obtained from staff members of the Agricultural Marketing Institutes at Goettingen and Volkenrode.

Table 14. Per capita consumption of wheat and rye, West Germany, 1950-1958

	1950	1953	(Year beginning July 1)			1957	1958
			1954	1955	1956		
			pounds				
Wheat flour.....	136.2	136.7	141.5	138.2	134.7	132.5	128.1
Rye flour.....	77.4	68.1	65.3	62.2	60.4	57.3	53.8
Total.....	213.6	204.8	206.8	200.4	195.1	189.8	181.9

Source: *German Statistical Yearbook for Food, Agriculture and Forestry*, (Hamburg: Paul Parey, 1959), pp. 147-148.

Table 15. Production, imports, and exports of wheat, West Germany, 1950-1958

	1950	1953	(Year beginning July 1)			1957	1958
			1954	1955	1956		
			thousand tons				
Production.....	2881	3505	3189	3724	3843	4236	4071
Imports.....	2679	2631	3179	2816	3539	2885	2664
Exports.....	72	76	53	403	401	369	720

Source: FAS Grain and Feed Division. (Import and export data appearing in the *German Statistical Yearbook for Food, Agriculture and Forestry* were adjusted to coincide with data supplied by FAS.)

declined from 721 tons in 1953 to 335 tons in 1959. During the same period imports from Canada increased. Although U.S. imports exceeded those from Canada in each of the first 5 years of the 1950's, they have been less in most years since 1955. In 1959 imports from Canada were two and a half times those from the United States.

In 1951 France was only a negligible supplier of the German wheat market. However, France exported 489,000 tons in 1959. France's capacity as a wheat producer is an important factor in Common Market considerations. Nevertheless, no Common Market country, including France, currently is capable of supplying sizeable quantities of hard wheats.

All foreign wheat is handled through importers in Germany—no millers import directly. Furthermore, few millers maintain large stocks of wheat. Hence, the storage function is handled largely by im-

porters and intermediate handlers. The import trade has been established for a long time and is well organized. The milling industry is well organized and highly advanced technologically. It is impossible, however, to produce flours with as wide a range of baking quality as in the United States because of mixing regulations designed to protect markets for domestically produced grains.

GOVERNMENT POLICY

Government policies are designed to increase domestic wheat production. No production targets are established but German prices are maintained considerably above world and U.S. prices and those in most European countries.

The Import and Stocking Agency regulates import quantities and, through a license system, partially determines the areas from which im-

ports may be purchased. In addition, "skimming charges" are employed to raise imported wheat prices to domestic wheat price levels. Where quality differences between imported and domestic wheat are great, surcharges are also added. The skimming charge is determined monthly and is based on the relationship between domestic prices and c.i.f. prices for Manitoba No. 3. (an important Canada grade). In addition, the Import and Stocking Agency may buy and store both domestic and imported wheat on its own.

Mixing regulations are imposed on millers to insure utilization of domestic wheat supplies. In 1960 German millers were required to use at least 75 percent domestic wheat in all flour milled. The percentage is changed when necessary in order to allow for differences in quantity and quality of domestic wheat supplies.

Details of Project Operation HISTORY

Relatively little market development activity for wheat has been conducted in Germany. The U.S. cooperator, the Great Plains Wheat Market Development Association

(GPW), maintained personnel in Europe only since late 1958. The European office of GPW officially opened in January 1959. Activities in specific countries were directed from that office. Therefore, no country project for Germany existed.

The original contract for market development activities in Europe was signed between FAS and GPW in May 1957 for a period of 2 years. It was amended twice and now extends through December 1962.

Prior to the opening of the European area office in 1959, the market development activities in Germany were restricted primarily to participation in trade fairs. Some public relations activities were conducted and preparations begun for a German trade team visit to the United States in 1959.

In July 1959 several subprojects for the European area were approved. Some work under these projects is conducted in Germany. The subprojects are:

1. Sampling and analysis of wheat imports in Western Europe.
2. Small fairs and exhibits.
3. Trade luncheons.
4. Home economist.
5. Grain consultant.
6. Trade teams.

Table 16. Wheat imports by country of origin, West Germany, 1951-1958

Country	1951	1952	1953	(Year beginning July 1)			1957	1958	1959
				1954	1955	1956			
				thousand tons					
United States.....	1685	1286	721	659	623	1203	535	572	335
Canada.....	293	826	612	636	746	1202	1083	1021	829
Australia.....	185	67	96	194	76	399	3	54	103
Argentina.....	31	*	356	546	388	251	427	347	236
France.....	55	144	352	457	679	94	612	290	489
U.S.S.R.....	*	31	71	13	14	17	4	43	40
Others.....	206	167	423	674	290	373	221	337	249
Total.....	2455	2521	2631	3179	2816	3539	2885	2664	2281
U.S. percentage share.....	69	51	27	21	22	34	18	21	15

*Data not available. Source: FAS Grain and Feed Division.

Additional projects, including activities concerned with blending of U.S. and local wheat in laboratories and mills of Western Europe, also were approved but not activated.

The sampling and analysis of wheat imports began in late 1959 and continued during 1960. Prior to the start of the small fairs subproject, GPW cooperated with FAS and the U.S. Information Service in presenting an exhibit at the Green Week Fair in Berlin. Additional information on these two subprojects will be given later in this chapter.

In November 1959, a grain marketing consultant was added to the European office staff. The initial subproject plans called for him to spend only 6 months in Europe. This was changed to a total of 2 years.

Trade team activity involving Germany included a German trade team visit to the United States in 1959. A team of American grain trade personnel visited Europe in 1960.

In addition to current activities, plans are being formulated to conduct a promotion and public relations campaign at the consumer level. This will be in cooperation with the German Millers and Bakers Association.

GREAT PLAINS WHEAT MARKET DEVELOPMENT ASSOCIATION

GPW is one of several commodity organizations organized primarily to serve as a cooperator with FAS in 104(a) activity. It was organized by representatives of state wheat market development associations from Kansas, Colorado, and Nebraska. Recently the North Dakota Association also became affiliated with GPW. GPW is strictly a growers organization. Three overseas area offices have been established—Rotterdam in Europe; Lima, Peru in South America; and New Delhi, India in South Asia. The European

area office in Rotterdam officially opened in January 1959.

No third-party contracts were signed for wheat market development in Germany. Cooperation of third parties were enlisted by the European office, but generally for specific activities of short duration. Current negotiations with the German Millers and Bakers Association could lead to a third-party contract.

SAMPLING PROJECT

The purpose of this project is to gain more information on the quality of wheat shipments into Western Europe from the United States and competing nations. Samples of wheat are being tested for milling and baking qualities. The U.S. grade is determined. The work of sampling and performing laboratory tests was contracted to a commercial firm in Europe. At the time of this study, no test results were published.

SMALL FAIRS EXHIBITS AND TRADE FAIRS LUNCHEONS

One activity was sponsored in Germany under this subproject. This was an exhibit at the Landmesse Fair in Bremen in late August and early September of 1960. The GPW exhibit was, with the exception of a small display by the U.S. Consulate in Bremen and American Express, the only American representation at the fair. Total costs were paid out of GPW project funds.

The basic message of the exhibit was that trade is a "two-way street." This message was portrayed by balancing a Volkswagen station wagon with a quantity of U.S. wheat of equivalent value on a simulated balance scale. Additional promotional material was available to stress the quality and characteristics of U.S. hard wheat. The exhibit was

later employed as a part of the wheat exhibit at the IKOFA trade fair in Munich.

In order to exploit the exhibit more fully, a dinner was given for members of the grain trade during the fair week. Invitations were issued jointly by GPW and the attaché's office. A minor tie-in with poultry market development activities was achieved by serving U.S. turkey at the dinner.

At least six additional trade luncheons were held in Germany from July 1959 through June 1960 following approval of the trade luncheon subproject. These luncheons were generally small, relatively informal, and a part of general trade relations activities. Total expenditures amounted to the equivalent of only \$110. In addition, GPW participated in a series of luncheons sponsored by the attaché's office in Germany in early 1959.

PUBLIC RELATIONS

Most activities conducted by the European Office were in the nature of public relations. In addition to the trade fair participation, trade luncheons, and trade team visits discussed above, two specific projects fell under this heading. They were: (1) participation by a home economist from the United States, and (2) assignment of a grain trade specialist.

The home economist was in Europe from September 1959 to February 1960. She appeared before women's groups, provided recipes and, in general, encouraged the use of wheat products. Very little, if any, of her time was spent in Germany.

The grain marketing consultant is currently conducting most public relations activity. As a result of 22 years experience in the grain trade in Europe and the United States, he is familiar with trade practices and problems and with many of the firms

and trade personnel in Western Europe. His activities involve relatively informal face to face contacts with trade personnel. He receives and transmits complaints from the European trade and educates European trade personnel regarding U.S. wheat characteristics, prices, grade standards, and trading regulations and practices.

Evaluation

Wheat is probably the most difficult American agricultural product for which to pursue market development activities in Western Europe. Some important reasons for this are:

1. All wheat-exporting nations consider this market as the most fruitful in the world and devote considerable resources to promoting sales.

2. The characteristics of the commodity make it impossible to identify the product at the consumer level.

3. The declining demand for wheat and the strong desire to protect domestic producers effectively limits the total market to be supplied.

To date GPW activities probably only slightly affected sales of U.S. wheat in Germany. Operations in Germany have been relatively limited. Several other factors are also responsible. These include: (1) the need for review and possible readjustment in trading rules and regulations for U.S. grain exports; (2) the lack of a coordinated plan of work resulting primarily from inexperience in foreign market development activities; and (3) the failure to include the U.S. grain trade in the planning and carrying out of market development activities.

Dissatisfaction with the U.S. product on the part of the German trade has limited the effectiveness of market development operations. As argued in Chapter I, market develop-

ment involves activities at all stages in the marketing process. Effective market development work for wheat in overseas areas probably will be impossible until the necessary market development work is accomplished at home.

Part of the dissatisfaction voiced by foreign buyers regarding U.S. grain shipments is undoubtedly an attempt to achieve price concessions or other trading advantages over competitors. However, some real problems exist regarding the impact of U.S. grades and standards, CCC regulations, and trading practices on the effectiveness with which the United States competes in the international wheat trade. Part of this difficulty is an educational problem arising from a lack of communication and knowledge between foreign buyers and domestic sellers.

The difficulties are not due to unscrupulous or unfair practices on the part of the U.S. trade. In fact, studies by FAS have demonstrated that, with very few exceptions, U.S. grain shipments meet the grade called for in the contract. However, U.S. grades are not meaningful enough for the needs of the German trade. In addition to permitting relatively broad tolerances (e.g. regarding damaged kernels and foreign material) within grades, the characteristics upon which the grades are based tell little about the milling and baking characteristics of the wheat. It is the milling and baking characteristics which, in reality, give rise to differences in value among wheats. The great variability in these qualities among shipments in a given grade was probably the major reason for dissatisfaction with U.S. wheat. The complaints are not that U.S. wheat shipments should necessarily be higher in quality, but that they should be dependable in quality characteristics regardless of the quality level. A paraphrase of a German importer's remark illustrates

the situation. His reply to the "trade is a two-way street" argument was "American wheat traders should remember that the German Volkswagens are well accepted in world markets because of a quality reputation built up over the years." U.S. wheat also has built a reputation—one that implies that wheat purchased from the United States on the basis of grade alone is not dependable in milling and baking quality.

Arguments that U.S. wheat can be bought by exact specification if desired and if one is willing to pay the price are relatively weak. Wheat can be bought readily from Canada on a grade basis that is consistently dependable in milling and baking qualities. Even though the Canadian price is often higher than that for a comparable U.S. grade, the price may be less than the cost of buying U.S. wheat by specification. Furthermore, it is far less trouble.

Another factor that limits German willingness to buy U.S. wheat by specification is experience with shipment delays. Because German millers lack storage space, these delays are costly. Apparently U.S. facilities at the ports and throughout the marketing system are inadequate to handle large numbers of grain shipments of various specifications at reasonable cost. If foreign markets are to be an important outlet for U.S. wheat and other grains, adequate facilities are necessary.

Solutions to these problems are not simple. The milling and baking qualities of U.S. wheat vary greatly within a given year and between years. This is less of a problem for some other competing countries such as Canada. Nevertheless, if the United States expects to retain a major share of dollar export markets, greater efforts to correct the problems and improve our competitive position are required.

To prescribe the necessary adjustments in U.S. regulations and

practices is beyond the scope of this report. Individuals in FAS, GPW, and in the trade are aware of the difficulties. Various changes in grade standards and modifications in subsidy regulations that move toward an eventual solution of the problem have been recommended. There is probably little value in continued market development activity overseas until these or similar changes are begun.

In no other commodity situation studied is the problem of market development more difficult. Consequently, the need for knowledge of market situations and imaginative planning of project activities is very great. The employment of an ex-

perienced full-time grain marketing consultant apparently was one of the most successful phases of GPW's activities in Europe. Further efforts toward developing better trade contacts and achieving a deeper mutual understanding of United States' and European marketing relations and institutions should comprise a major part of future activities.

Some problems in planning and executing project activities may result from the inability to include any segment of the grain merchandising trade in the U.S. cooperating organization. A **coordinated** effort on the part of wheat producers and wheat merchandisers is needed for a more effective development program.

CHAPTER VII. LARD

The Market Situation CONSUMPTION AND SUPPLIES

PER CAPITA consumption of lard in Germany remained relatively stable throughout the 1950's (see table 17). As indicated in Chapter V, this was true also of total fats and oils consumption. Annual lard consumption, at slightly more than 11 pounds per capita, approximately equals prewar levels. This is in contrast to margarine consumption which is almost double the prewar rate. Although vegetable oils increased in relative importance in Germany, they have not replaced lard as a shortening to the same degree as in the United States. Moreover many German households, especially in rural areas, use lard as a table spread. Income elasticities for lard, as for all fats and oils except butter, are small and negative.

While not self-sufficient in lard, Germany always produced a relatively large proportion of its total supply. In recent years domestic production expanded greatly and further reduced import needs (see table 18). Imports provided 18.6 percent of total supplies during 1951-55 but only 10.4 percent in 1959.

Prior to the 1930's, about 90 percent of Germany's lard imports came

from the United States. However, the U.S.' importance as a source of lard imports decreased during the 1950's (see table 19). Improvements in lard quality from competitors and a preferential duty structure for EEC countries contributed to the decrease. The hog cycles in the United States and Europe caused frequent fluctuations in price relationships between U.S. and European lard. Consequent-

ly, the share of U.S. imports varied considerably from year to year. Normally, U.S. lard is priced higher than competing European lards but is preferred because of its purity and quality.

IMPORT REGULATIONS

Most of Germany's lard supply is domestically produced. Therefore, rather stringent import regulations are enforced. They require: (1) ante- and post-mortem veterinary inspections of slaughter animals, (2) certification that the incoming lard is not more than 2 months old, and (3) prohibition of chemical additives or preservatives.

The German Government enforces an import quota and licensing system for all lard. In addition there is a 10-percent duty on lard imported from non-EEC countries and a 7.5-percent duty from EEC members. These duties apply only to lard imported for melting and packaging. The duty rate for imported lard already packaged and ready for retail sale amounts to 20 percent of the c.i.f. value.

MARKET STRUCTURE AND CHANNELS

Due to the high duty on packaged lard, almost all lard is imported in boxes, drums, or bulk for further processing and packaging. Most lard is handled by importers or agents of remelting and refining plants. Of Germany's 23 lard and tallow melting plants, 12 handled 99 percent of all sales and employed 88 percent of the workers in the industry in 1959.¹⁹

About 80 percent of the lard consumed in Germany is sold at retail while the remainder is used by the bakery and institutional trade. Chain

¹⁹ *German Statistical Yearbook for Food, Agriculture and Forestry*, (Hamburg: Paul Parey, 1959), p. 191.

²⁰ A recent change in the regulations permits lard that is imported for the Berlin Reserve to be treated with antioxidants. As of September 1960, the reserve had not been rotated for an 18-month period and the lard was reported to be in excellent condition.

Table 17. Per capita consumption of lard, West Germany, 1950-1958

Year (Beginning July 1)	Consumption pounds
1950.....	9.7
1953.....	10.8
1954.....	11.0
1955.....	11.5
1956.....	11.2
1957.....	11.7
1958.....	11.5

Source: Computed from data in *German Statistical Yearbook of Food, Agriculture and Forestry*, (Hamburg: Paul Parey, 1959).

store organizations, such as the German Consumer Cooperative (GEG) which controls about 10,000 retail chain stores, are the major outlets for the higher quality lard usually sold in 250 gram packages. Independent local food stores often retail domestic lard of lower quality in larger metal containers.

An important feature of the German lard market has been the Berlin Reserve which consists of adequate supplies for Berlin for about 9 months. In the past, these stocks were rotated semiannually, supposedly into inedible uses. However, some of this lard went into edible outlets causing criticism and consumer dissatisfaction. Regulations now require that this lard be reexported.²⁰

The lard industry is represented by three major organizations: the Association of German Lard and Fat-back Importers, the Association of Lard Melting Plants, and the Trade Mark Association. The first two are organized primarily along functional lines. However, the Trade Mark Association (Warenzeichenverband Deutscher Smalzipporteure e. V.) cuts across the industry and includes

importers, packers, and sellers of pure U.S. lard. It served as the FAS third-party cooperator in the lard promotion project of 1957 and 1958.

The emphasis on pure U.S. lard by the Trade Mark Association had special significance in the German industry. High quality U.S. lard was often mixed with lower quality domestic or European lard. Sometimes the combined product was sold as U.S. lard. This practice, along with leakage from the Berlin stockpile (predominantly U.S. lard) into domestic markets, resulted in some deterioration of the U.S. lard quality reputation with German consumers.

Details of Program Operation

HISTORY AND NATURE OF ACTIVITIES

FAS allocated the equivalent of \$50,000 for lard market development work from the 1956 Title I sale of poultry. Project plans were formulated in early 1957. The American Meat Institute (AMI) served as the U.S. industry cooperator with the condition that this was considered a small "pilot" or test project on their part. Third-party cooperation was enlisted from the three German industry groups mentioned earlier.

Table 18. Total supply of lard, West Germany, average 1951-55, annual 1956-59

Source	Average 1951-55	1956	1957	1958	1959
	million pounds				
Production.....	402	463	476	544	550
Imports.....	92	96	65	55	64
Exports*.....	†	7	3	†	†
Total supply.....	494	552	538	599	614

*Estimated.

†Data not available.

Source: FAS Livestock and Meat Products Division.

Table 19. Lard imports by country of origin, West Germany, average 1951-55, annual 1956-1959

Country	Average 1951-55	1956	1957	1958	1959
	million pounds				
United States.....	60	59	21	10	33
Netherlands.....	10	9	21	19	12
France.....	8	24	5	7	9
Belgium-Luxembourg.....	2	*	1	1	4
Denmark.....	7	2	5	7	3
Poland.....	*	*	6	9	1
Other countries.....	5	2	6	2	2
Total.....	92	96	65	55	64
U.S. percent of total.....	65	61	32	18	52

*Data not available.

Source: FAS, *Foreign Agricultural Circular*, Livestock and Meat Products Division, June 27, 1960.

However, only the Trade Mark Association acted as a third-party co-operator. Because of its interest in sales of pure U.S. lard, this was a logical third-party choice.

The project actually began operation in early 1958. In order to increase sales of U.S. lard in Germany, a concerted effort was planned to reestablish its quality reputation. The Trade Mark Association arranged for the production of a 10-minute, color movie trailer entitled "Ein Tip fur die Hausfrau" ("A Tip for the Housewife"). This film advertised high-quality U.S. lard as packaged by the Trade Mark Association. The package bore a red, white, and blue shield; a map of the United States; and a guarantee that it contained pure U.S. lard. A public relations firm arranged for the showing of this film in about 800 movie theatres in several large cities throughout West Germany. Trade advertising called the attention of retailers to local presentations of the film. About 17,000 posters containing the Trade Mark Association shield and guarantee were also distributed to stores.

For the project, FAS expenditures totaled the equivalent of \$49,847; the Trade Mark Association provided \$6,810, and AMI \$6,921. An amendment made in September 1958 provided \$2,560 worth of Mexican pesos. This was for a representative of AMI and a USDA meat inspection official to travel to Germany to investigate claims concerning the presence of chemical additives in shipments of U.S. lard.

Many interesting features of the lard project arose from the nature of the cooperating organizations, AMI and the Trade Mark Association, and from the events surrounding activation of the project.

The American Meat Institute is an established trade organization. Currently it represents about 50 companies which process and sell two-thirds of the meat and meat products

commercially produced in the United States. However, AMI does not represent the independent exporting firms which handle a large share of American lard exports or many small independent packing firms that produce lard. Nevertheless, AMI was the only trade organization capable of organizing and administering a market development project for lard.

The Trade Mark Association is a rather loosely-organized association composed of 10 to 12 importing, refining, and packing firms which handle U.S. lard as a part of their overall operations. The Association has never had separate office facilities or a full-time staff. Its Board of Directors are importers and packers who devote a portion of their time to Association affairs.

Any firm that agrees to pack and sell pure U.S. lard under certain quality specifications may obtain the packaging materials and rights from the Trade Mark Association. Employees of GEG handled many activities of the Association. Most other Association members are firms which act as agents for large U.S. meat packing companies.

Prior to the 104(a) project, Association activities involved only the distribution of the labeled packages to cooperating firms. Sales of U.S. lard under this label began a year or two before, but no promotion was undertaken. Since the termination of the project no promotion has been carried on, primarily due to lack of funds among packers and sellers. However, the Trade Mark Association expressed some interest in future land promotion work to be sponsored partially by either FAS or U.S. industry. Only a few firms, the most important of which is GEG, still use the Association label regularly for their U.S. lard. Other firms reportedly use the label only if the price of U.S. lard becomes sufficiently competitive to warrant the packing of the pure U.S. product.

Other Organizations Involved. The agricultural attaché's office, the German Ministry of Agriculture, and other organizations in the lard industry played important parts in the lard project. The impetus for the lard project came almost entirely from the attaché's office which led negotiations for establishing the third-party agreement. In working with AMI and U.S. lard exporters on quality problems, the attaché's office became directly concerned with the German lard market.

In 1957 the attaché met with the three lard industry groups and representatives of the Ministry in an attempt to arrange a lard promotion campaign. The three groups came to no workable agreement concerning the nature of a possible 104(a) project. The Ministry expressed interest in a program which was neutral with regard to country of origin and which included market research. The Association of German Lard and Fatback Importers also strongly favored a neutral program. Members of the Association of Lard Melting Plants were divided between this proposal and the position of the Trade Mark Association that called for strong U.S. product identification and quality control. Therefore, the Trade Mark Association was selected as the third-party cooperator. This was probably the best choice since returns in the short run for a small expenditure were presumably greater with a group interested primarily in U.S. lard.

An assistant agricultural attaché in Bonn assumed major responsibility for the lard project. The attaché's office acted as the mediator for most of the difficulties and pressures which arose.

Events Surrounding Project Activation. Due to limited funds from FAS, the Trade Mark Association and the attaché's office agreed that a short, intensive project using the film trailer as the central feature would

achieve better results than a longer-term project. The other lard industry groups attempted to promote their own lard, but only a small project was established. It was financed partially by means of a checkoff on lard imports. This campaign was neutral regarding country of origin and included advertising and the publication of reports and articles in scientific journals to contradict assertions that animal fats are not particularly healthful.

As 104(a) activities with the Trade Mark Association began to take shape, the German Ministry of Agriculture exerted pressure on the attaché to mold the project into a general lard promotion scheme. This pressure probably originated with the Association of Lard Importers and the Association of Lard Melting Plants. When this pressure failed, the Ministry suggested a 60-to 90-day postponement of the project (from the fall of 1957 to early 1958), because:

1. The Trade Mark Association was not representative of the German lard industry.
2. Other groups, including farm organizations, would become sensitive to the "U.S." identification.
3. European lard was improving in quality.
4. The postponement would provide opportunity to restudy a general lard promotion scheme.
5. There existed a glut of hogs on the domestic market as well as large inventories of meat and meat products.

The agricultural attaché urged the Trade Mark Association and AMI to agree to the postponement. In consenting, the Trade Mark Association countered the Ministry's position with these points:

1. The hog glut could not be too serious since prices were actually rising. Furthermore, many experts doubted that a glut of hogs existed.

2. A large import tender for French lard had just been issued.
3. A promotion campaign for U.S. lard need not hurt other efforts to increase lard consumption.

In February 1958 another postponement was suggested because sufficient lard was unavailable. U.S. shipments were being held in Hamburg due to traces of chemical anti-oxidants. The project was activated and continued until funds were expended. Members of the Trade Mark Association sometimes imported quantities of U.S. lard at a financial loss in order to assure product availability. Prices of lard in the United States were rising relative to European prices during and immediately following the campaign.

Evaluation

A quantitative evaluation of the lard promotion program in Germany is not feasible for several reasons. An important one is the extent to which U.S. lard imports were affected by inspection problems (particularly regarding presence of anti-oxidants) during project operation. Strict adherence to purity regulations was important in reducing available supplies of U.S. lard during the campaign. In addition, price adjustments among European lards during operations placed U.S. lard at a distinct competitive disadvantage. Consequently, U.S. lard exports to Germany declined sharply.

It is difficult to know whether the promotional activities prevented a further decline. The very existence of the project may have influenced stricter enforcement of purity regulations with respect to U.S. lard imports. However, if members of the Trade Mark Association imported U.S. lard at a loss in order to insure supplies, it could be argued that, given the purity restrictions, the project actually increased shipments of

lard to Germany over that which would have been purchased if no project had existed. Of course, this situation could not have persisted indefinitely.

Some important problems that affect market development in general became known due to the lard project. This was the first, and possibly the only, time that the German Ministry of Agriculture took an opposite position to market development activities supported by FAS. Therefore, one basic question is: should FAS support project efforts in the face of local conflict and Government opposition? In this particular case, it may be argued that opposition was not strong and the project was of such a limited scope and duration that it was best to carry out activities.

However, as a general principle, FAS should investigate all possible areas of local opposition to insure that project objectives are consistent with, or at least are not in conflict with, overall U.S. foreign policy objectives. Both AMI and the Livestock and Meat Products Division of FAS reported that the project was beneficial from a public relations standpoint because it reinstated the prewar quality reputation of U.S. lard among consumers. Nevertheless, there is some question as to the overall public relations achieved for American agriculture at the wholesale, industrial, and governmental levels. Program implementation was competently and efficiently carried out. The film trailer was an excellent professional job produced explicitly for the German market. All other promotional materials tied in with the film presentation. If another project for U.S. lard were activated with the Trade Mark Association, all of these materials, including the film, would probably be available and quite suitable.

In summary, it cannot be determined whether the lard project increased sales of U.S. lard to Ger-

many over what they would have been otherwise. The real value of the project was the uncovering of certain problems closely associated

with the development of 104(a) projects where there exist conflicts in the foreign country regarding proposed activities.

CHAPTER VIII. FRUITS

The Market Situation

ALL FRUITS

AS POPULATION and the standard of living increased in post-war West Germany, the total consumption of fruits of all types rose.²¹ Total supplies of all fruits have increased about 235 percent since the prewar period (see table 20). The greatest increase occurred in supplies of citrus fruits although all other fruits show substantial gains. The total supply of dried fruits, however, increased since the prewar period at about the same rate as population growth.

Domestic production is confined mostly to fresh deciduous fruits such as apples, peaches, pears, and small fruits such as strawberries and raspberries. Although imports of various fresh fruits are increasing relative to domestic production, German-grown products still predominate (see table 21). All citrus and nearly all dried fruits consumed in the Federal Republic are imported.

Shipments of fruit are subject to the strict West German health and purity regulations regarding the presence of chemical preservatives and residues.

Since fiscal year 1950-51, the per capita consumption of all fruits rose 94 percent, from 111.3 to 216.1 pounds annually (see table 22). Currently the per capita consumption of fruits in Germany is somewhat

Table 20. Supplies of all fruits, West Germany, prewar and selected years, 1950-1958

Commodity	Average 1935-38	1950	(Year beginning July 1)					1958
			1953	1954	1955	1956	1957	
	thousand tons							
Fresh fruits.....	1,541	2,221	3,142	3,278	2,578	3,265	1,693	4,524
Citrus fruits*.....	240	424	728	736	838	786	1,098	1,117
Dried fruits.....	71	101	112	119	126	118	149	107
Canned fruits.....	†	†	†	84	62	125	127	183
Fruit juices.....	†	†	†	166	173	218	171	273
Total supply.....	†	†	†	4,383	3,777	4,512	3,238	6,204

*Also includes bananas, coconuts, and pineapples.

†Data not available.

Source: Data compiled from the *German Statistical Yearbook of Food, Agriculture and Forestry*, (Hamburg: Paul Parey, 1959).

²¹ In German statistical publications, the term "fresh fruits" does not include citrus. This usage will be employed in this chapter.

Table 21. Supply of fresh fruit, West Germany,* prewar and selected years, 1950-1958

Source	Average 1935-38	(Year beginning July 1)						
		1950	1953	1954	1955	1956	1957	1958
		thousand tons						
Production.....	1,653	2,242	2,928	3,179	1,928	2,910	1,033	4,213
Imports.....	38	197	516	417	874	667	818	4,213
Exports.....	†	6	3	4	3	3	10	7
Available supply.....	1,691	2,433	3,441	3,592	2,799	3,574	1,841	4,967
Crop and market loss...	150	212	299	314	241	309	148	443
Total supply.....	1,541	2,221	3,142	3,278	2,558	3,265	1,693	4,524

*Does not include citrus fruits.

†Data not available.

Source: Data compiled from the *German Statistical Yearbook of Food, Agriculture and Forestry*, (Hamburg: Paul Parey, 1959).

Table 22. Per capita consumption of selected fruits, West Germany, 1950-1958

Commodity	1950	1953	(Year beginning July 1)				1957	1958
			1954	1955	1956			
			pounds					
Oranges, mandarines.....	11.0	18.5	17.6	19.4	13.4	22.0	20.5	
Grapefruit.....	†	.2	.3	.4	.5	.8	.6	
Imported fruit juices.....	.2	.9	1.3	2.4	2.2	3.1	2.0	
Raisins.....	2.2	1.8	1.8	2.2	1.8	2.0	1.5	
Prunes*.....	.3	.4	.4	.5	.5	.6	.3	
Fresh fruits.....	89.7	124.1	128.3	99.6	124.8	63.9	168.6	
Other fruits.....	7.9	12.2	13.4	14.8	18.1	21.7	22.6	
All fruits.....	111.3	158.1	163.1	139.3	161.3	114.1	216.1	

*Estimated.

†Data not available.

Source: Data compiled from the *German Statistical Yearbook of Food, Agriculture and Forestry*, (Hamburg: Paul Parey, 1959).

higher than in the United States, but consumption of vegetable products is still well below U.S. levels. The greatest increases in per capita consumption levels occurred in fresh and citrus fruits. Per capita consumption of fresh fruits and of oranges and mandarins increased 88 and 86 percent respectively since fiscal year 1950-51. The large rise in

the per capita consumption of "other fruits," as shown in table 22, is due mainly to the consumption of bananas. Income elasticity estimates for both fresh fruits and citrus fruits are about unity.²² Therefore, other things being equal, the per capita consumption of fruits should increase in percentage terms at about the same rate as personal income.

²² Estimates provided by staff members at the Marketing Research Institutes at Goettingen and Volkenrode.

Table 23. Imports of prunes by country of origin, West Germany, average 1934-38 and 1950-55; annual 1955-1958

Country	(Year beginning July 1)					
	Average 1934-38	1951-55	1955	1956	1957	1958
			tons			
United States.....	5,630	3,171	3,232	9,497	11,319	1,109
Yugoslavia.....	7,755	4,328	7,044	369	994	3,875
Argentina.....	2	*	*	*	1,519	796
Rumania.....	593	*	54	*	828	605
Chile.....	434	476	1,227	999	1,467	175
Others.....	5,903	1,727	1,660	1,436	1,641	1,253
Total.....	20,317	9,702	13,217	12,301	17,768	7,813
U.S. percent of total.....	28	33	24	77	64	14

*Data not available.

Source: FAS Fruit and Vegetable Division.

FRUITS INCLUDED IN 104(a) PROJECTS

Three rather limited 104(a) projects for fruit were undertaken by FAS in Germany—for prunes, raisins, and Florida citrus.

Prunes

The per capita consumption of prunes in Germany since 1950 increased slightly in spite of a substantial decline in imports in fiscal year 1958-59 (see table 22). Imports of prunes by country of origin and the U.S. percentage of the total is presented in table 23. Wide annual variations in U.S. crop yields and harvest conditions make it difficult to determine future patterns of trade and consumption.

Prunes are completely liberalized for import to Germany and are handled by a few agents in Hamburg specializing in dried fruits. Stocks move into retail trade channels through chain store organizations, buying associations for independent retailers, and associations of food stores which specialize in "health foods." Over half of the imported prunes are prepackaged in 250-to 500-gram cartons. The balance is im-

ported in large boxes and either repacked in smaller containers or retailed in bulk.

A market survey for prunes indicated that the important months for prune consumption are November through June when fresh deciduous fruits are relatively scarce. About 50 percent of the households sampled for the survey consumed prunes, but no outstanding characteristics of prune-consuming households were found with respect to age, income, profession, or family size.²³

Raisins

Per capita raisin consumption in Germany fell in recent years, but the trend is not marked (see table 22). Imports of raisins by country of origin and the U.S. percentage of the total is presented in table 24.

Like prunes, raisins are generally imported by agents who specialize in dried fruits. Members of the German trade estimate that over half of the imported raisins go to commercial bakeries and institutions. As a rule, the baking and institutional trade makes raisin purchases on a price basis only, with relatively lit-

²³ Company for Market Research, *The Market for Prunes in the Federal Republic of Germany*, Hamburg, October 1957.

tle regard for quality. The balance is retailed either in bulk or in smaller consumer packages. Since U.S. raisins are usually of higher quality and higher price than raisins from competing nations, they are sold mainly in small packages at retail.

Seasonal consumption patterns for raisins are not as pronounced as for prunes, but peaks generally occur during the holiday seasons and when supplies of fresh fruits are low. Imports of raisins are also entirely liberalized by the German Government.

Citrus

Large increases occurred in both total and per capita consumption levels of citrus fruits. The per capita consumption of oranges and mandarins almost doubled since 1950 (see table 22). Per capita consumption of grapefruit, a relatively unknown product in Germany a few years ago, has almost tripled since 1953 but is still low in absolute terms (see table 22). The total volume of grapefruit imports grew from only about 5,000 tons in fiscal year 1953-

54 to 17,000 tons in 1958-1959. Shipments of canned grapefruit are not reflected in the import statistics for fresh citrus.

A significant increase in the consumption of imported fruit juices is also shown in table 22. Much of these imported fruit juices are citrus juices, although available statistics do not give the exact breakdowns.

The data in table 25 indicate the growth in total imports of oranges and mandarines by Germany and the role of the United States. Although crop yields and harvest conditions produce uncertainty in the citrus market, the U.S. percentage share of total German imports is unlikely to increase. The major competing countries usually have either a substantial transportation advantage or basic price advantage over U.S. citrus. In addition, countries such as South Africa and Israel are continually increasing their advertising expenditures in Germany. In fresh grapefruit, however, the United States has consistently maintained about 40 percent of the market. The only other major supplier of grapefruit to Germany has been Israel.

All citrus fruits and citrus juices are liberalized for import without restrictions.

Details of Program Operation HISTORY

Prunes

The California Prune Advisory Board began its own limited advertising campaign in Germany prior to the 104(a) agreement with FAS signed in June 1957. These activities were initiated in anticipation of 104(a) support and included consumer and trade advertising for California prunes. Point-of-sale materials, such as posters and recipe leaflets, were produced after the 104(a) agreement. An advertising

agency located in Frankfurt was retained by the Board to help plan the campaign and place ads. In preparing for the fall and spring campaigns of 1957-58, a committee of German importers handling California prunes served in an advisory capacity to the German advertising agency. This committee was appointed by the Warenverein, an association of fruit importers in Hamburg. FAS expenditures began in the fall of 1957.

Consumer advertising stressed the qualities of prunes from California. It was placed in 14 consumers' and women's magazines in the fall and winter of 1957 and again in the spring of 1958. Trade advertising was inserted in an importers' magazine in the fall of 1957. The advertising activities were completed in May 1958. The expenditures of the California Prune Advisory Board totaled \$61,946 of which \$45,345 was spent prior to the formal agreement with FAS. FAS' contribution amounted to the equivalent of \$49,648.

The Board also hired a private organization to make a market research survey on prunes in Germany. It was done in October 1957.

Although the California Prune Advisory Board still has an active market development contract with FAS, the lack of adequate export supplies forced suspension of activities in Germany since the spring of 1958.

Raisins

A limited advertising campaign for California raisins was carried out in Germany at the end of 1957 and the beginning of 1958. The California Raisin Advisory Board acted as the U.S. industry cooperator, but contracted the actual work to the Frankfurt office of a large U.S. advertising agency. The 104(a) agreement was signed in May 1957. The advertising was placed by the agency between December 1957 and April

Table 24. Imports of raisins by country of origin, West Germany, prewar and selected years 1951-1958

Country	Average* 1934-38	1951*	1955	1956	1957	1958
	tons					
United States.....	1,303	55	10,088	3,080	1,103	686
Greece.....	12,521	5,740	20,328	20,695	23,195	15,193
Turkey.....	41,879	7,302	881	2,670	2,993	4,251
Iran.....	1,986	10,370	21,451	19,350	19,825	14,726
Others.....	1,077	1,132	3,360	1,133	9,947	3,530
Total.....	58,766	24,599	56,108	46,928	57,063	38,386
U.S. percent of total.....	2	†	18	7	2	2

*Includes East and West Germany.

†Less than 1 percent.

Source: FAS Fruit and Vegetable Division.

Table 25. Imports of fresh oranges and mandarines, West Germany, average 1949-53 and annual 1953-1959*

Country	Average† 1949-53	1953	1954	1955	1956	1957	1958	1959
	thousand tons							
United States.....	8	25	18	9	40	30	3	7
Spain.....	137	361	341	398	224	205	376	335
Italy.....	84	64	75	56	86	9	105	105
Union of So. Africa.....	7	12	27	28	25	41	37	36
Israel-Palestine.....	†	†	11	10	28	23	34	40
Others.....	50	4	7	7	24	66	78	102
Total.....	286	466	479	508	427	464	633	625
U.S. percent of total.....	3	5	4	2	9	6	.5	1

*Converted from boxes to tons.

†Includes East and West Germany.

‡Data not available.

Source: FAS Fruit and Vegetable Division.

1958. Before this, the agency also produced a small market survey of the German raisin market. This study included interviews with members of the Warenverein (importers association) of Hamburg.

The advertising, stressing California Natural Raisins, appeared in 10 consumer and food service magazines and in a food wholesalers' magazine. FAS paid the entire advertising cost of \$25,025, and the California Raisin Advisory Board claimed dollar expenses amounting to \$1,981. The project was officially terminated in March 1958 and no additional agreements with the Board have been activated in Germany.

Citrus

FAS signed an agreement for a small 104(a) project with the Florida Citrus Commission in July 1957. This project allocated the equivalent of \$25,000 for the promotion of Florida citrus. This was used to expand the Commissions' advertising and merchandising program in Germany.

The Florida Citrus Commission retained the Frankfurt branch of the same advertising agency utilized by the California Raisin Advisory Board. The equivalent of \$10,255 was budgeted for advertising through this agency. According to their report to the Florida Citrus Commission, the 104(a) project permitted additional advertisements to be placed in four large consumers' magazines. These ads reportedly reached about 41 percent of the West German adult population and appeared in February and March of 1958. The Commission paid for additional advertising in these four magazines and for trade advertising in three food service periodicals.

Florida experienced a serious freeze and crop failure in December and January of 1958 which greatly limited export supplies. Therefore, the balance of the 104(a) allocation

went for merchandising materials for distribution among dealers at a later time. These materials included plastic grapefruit knives, posters, showcards, and cartons. Their cost equaled \$14,741, making the total FAS contribution \$24,996. The Florida Citrus Commission claimed corresponding expenses of \$44,820 from their normal budget for this project.

A subsequent project for Florida citrus was carried out in West Germany using materials produced in Austria and France. Four film trailers that advertised Florida grapefruit and grapefruit sections were produced in Austria. Recipe leaflets, a health and medical booklet, and other point-of-sale materials were printed in France. Production expenses were reimbursed by FAS but the Commission paid all distribution and presentation expenses in Germany. The films were exhibited in 125 Ruhr Valley theatres from February to April of 1958. Meanwhile, the Florida Citrus Commission distributed the promotional material and conducted 382 taste-sampling demonstrations for grapefruit in the Ruhr area. These activities overlapped with the advertising campaigns.

In September 1958 the advertising agency prepared a study in the Ruhr Valley of consumers' opinions and attitudes regarding citrus fruits in general and Florida citrus fruit and fruit juices in particular.

The Florida Citrus Commission employs a full-time Western European representative located in Brussels. He services the promotional programs of the Commission, arranges trade fair exhibitions, and acts as a public relations agent among the European fruit trade.

NATURE OF PROJECT ACTIVITIES

All three U.S. cooperators in the fruit projects, the California Prune

and Raisin Advisory Boards and the Florida Citrus Commission, were established by their state governments primarily to promote their respective products. They are financed largely from assessments on growers and processors. At least two of the cooperators carried on foreign market promotion prior to the 104(a) projects, and all three groups conduct merchandising and promotion work within the United States.

In the case of prunes and citrus, the FAS funds were considered supplemental to regular overseas work carried on when supplies are adequate.²⁴ In the case of raisins, however, FAS funds covered almost all advertising expenses and, so far as is known, no earlier promotional work for raisins had been attempted in Germany.

Third-party cooperators were not utilized in the German fruit projects. All work in Germany was contracted to well established advertising agencies. The agencies also provided some market research, but the market research preceding the prune project was conducted by an independent research institute. Informal contact was maintained with importers' associations, but no formal agreements were attempted. Presumably the cooperators prefer to work through advertising agencies for the following reasons:

1. Because FAS funds are largely supplemental to overall promotion expenditures, additional third-party agreements would involve complex partitioning of responsibility.

2. The U.S. cooperators have experience with advertising agencies in the United States.

3. The importers associations and other groups in the German fruit industry probably do not wish to become contractually committed to U.S. interests because U.S. fruit is only a portion of their business.

4. Due to the uncertainty of available export supplies and consequent price fluctuations, all agreements must be as flexible as possible.

The U.S. cooperators for fruit, especially the prune and citrus groups, anticipate additional projects with FAS in Germany when export supplies are available. They will continue to work through advertising agencies.

Evaluation PRUNES

From an administrative standpoint, the prune project was perhaps the most efficient of the three fruit projects. It was preceded by a market research effort sponsored by the California Prune Advisory Board. During project activities, the Board submitted three progress reports and a final report to FAS. The Board also kept the attaché informed regarding specific details of project activities.

The market research report, *The Market for Prunes in the Federal Republic of Germany*, contained opinions, attitudes, and other data obtained from samples of consumers and retailers. This survey was relatively inexpensive and should have proven useful to both the Board and the advertising agency.

Quantitative evaluation of results is difficult because the short crops of 1958 and 1959 prevented the continuation of activities in Germany. Sales data from August 1957 through July 1958 show a 9-percent increase over the corresponding period 1 year earlier. It is hard to say how much of this is due to the promotion activities.

The per capita consumption of dried fruits (including prunes) probably will not increase greatly, even

²⁴ An official of the California Prune Advisory Board indicated that about 10 percent of the Board's annual budget is allocated for foreign market promotion.

in the presence of large advertising and promotion expenditures. In determining the allocation of available 104(a) funds for the promotion of prunes, consideration should be given to the following factors:

1. Prunes are not always available for export.
2. The relative importance of prunes in the total agricultural economy.
3. Future market development will probably continue to emphasize promotional activities.

Because prunes are a minor part of the U.S. agricultural economy, future projects cannot expect a large share of total government funds allocated for market development. However, the minimum cost of a promotion campaign required to expand foreign sales of a commodity is not related to its relative importance in the United States. Therefore, it is likely that the industry will have to continue contributing a relatively large share of the total costs. The past performance of the California Prune Advisory Board justifies continued government support of market development on this basis.

RAISINS

The raisin project was the smallest of the three fruit projects in Germany. Although the funds expended by FAS in behalf of raisins approximately equalled the allocation spent for Florida Citrus in Germany, the California Raisin Advisory Board's contribution was much smaller than that of the Florida Citrus Commission. The raisin project involved advertising over 4 months and was preceded by a market survey made by the Board's advertising agency. A final report on the entire project was submitted by the Board to FAS.

The Board itself felt that the project was poorly timed due to the short raisin crop of 1957 and the

resulting high prices in Germany. Although the Board expressed interest in attempting additional promotion in Germany, nothing further has been activated. Raisins, like prunes, represent part of the dried fruit market and cannot be expected to show long-run gains in per capita consumption. Recommendations for future raisin projects are similar to those outlined for prunes.

CITRUS

Of the three fruits studied, only citrus exhibits a consistently expanding market in terms of total and per capita consumption. Market development in this area has more potential than in dried fruits. Evidence of this is the willingness of the Florida Citrus Commission to carry on extensive promotion activities on its own and to place full-time representatives in Brussels and Stockholm.

Some disappointment with the results of the grapefruit promotion activities existed. Problems arose because there was no good German equivalent for the word "grapefruit" and very little consumer awareness of this relatively new product. Promotional efforts for grapefruit in some areas of Germany should continue to be educational as well as persuasive.

The seeming lack of success was partially blamed on the short crops and the rather limited size of the campaign. It was claimed that the advertising for Florida citrus was overwhelmed by large campaigns conducted for citrus by South African and Israeli interests. However, even large-scale brand advertising by other groups in an expanding market situation, such as citrus is experiencing, may not hurt Florida citrus.

The effort to relate citrus consumption to "good health" seems to be a sound approach and should be expanded, especially in Germany. It

appears particularly appropriate in the case of frozen and concentrated citrus juices because the annual per capita consumption of imported fruit juices increased from .2 lbs. in fiscal year 1950-51 to 3.1 lbs. in 1957-58.

GENERAL COMMENTS

Market promotion for fruit products might be considered "high risk" merchandising. The lack of export supplies due to crop failures and low yields may make the campaign virtually useless in the short-run. On the other hand, adequate supplies combined with an effective program could be very beneficial to a particular industry both in terms of expanded export sales and the maintenance of profitable supply levels on the domestic market.

Periodic shortages of export supplies makes it necessary that 104(a) projects for fruit be as flexible as possible so that expenditures from year to year can be adjusted to fit varying supply situations. This apparently has been the practice in the past.

The informal contacts and advisory committees established among German importers are excellent methods for drawing the local trade into project activities without third-party contracts. All three U.S.

cooperators built good relationships among the German fruit trade. These should be expanded to the fullest extent possible in any future project.

Since export supplies of fruit products often are unavailable, increased participation in various trade fairs would maintain interest and trade contacts in years when supplies are low and other promotional activities are necessarily curtailed. The Florida Citrus Commission has continually used this approach in numerous European fairs.

Some people, especially advertising representatives, feel that the fruit projects were far too limited in funds to have any appreciable effect. They argue that any effective promotional campaign today must be even larger than a few years ago because of the increasing "saturation" of German advertising media. There is also rather general agreement that successful advertising techniques for fruit products in the United States are not always appropriate for use in Germany.

Nevertheless, these small fruit projects, whatever their level of success, enable FAS to demonstrate that the United States is not carrying on market development activities exclusively for the disposal of "surplus" commodities.

CHAPTER IX. TRADE FAIRS

IN MANY COUNTRIES of the world, trade or industrial fairs are extremely popular. A trade fair is a series of displays, demonstrations, and activities organized around an overall theme to which a particular trade, industry, or the general public is invited. These fairs are often international in character; that is, interested countries, as well as individual firms, are invited to participate with appropriate exhibits. U.S. participation in industrial or manufacturing fairs is the responsibility of the Department of Commerce; in food and agricultural fairs, it is the responsibility of FAS. Trade fairs are usually popular with legislators and administrators. They provide colorful, tangible, and dramatic evidence that the United States is carrying on an active market development policy.

Role of FAS in Trade Fairs

The Trade Fairs Branch of FAS was organized exclusively to handle trade fair activities. As U.S. participation in food or agricultural trade fairs increased, the activities of this branch became an important factor in market development and foreign currency expenditures of FAS.

TRADE FAIR ACTIVITY IN GERMANY

Activities in Germany by the Trade Fairs Branch were limited primarily to the large international food fairs in Cologne (ANUGA) and Munich (IKOFA) (see table 26). These are the major food fairs in Germany and are presented in alternate years. The Green Week Fair in Berlin is a major agricultural exhibit and FAS participated in cooperation with the U.S. Information Service.

In the ANUGA and IKOFA fairs the United States had a coordinated exhibit which stressed several individual commodity or industry displays. FAS rented space and con-

tracted for professional designing and construction of the exhibits. The commodity divisions of FAS and industry representatives arranged for individual displays within the exhibit area. Each individual commodity exhibit usually provided for a display area, a demonstration area, and a small office area for discussion. A lounge was provided where trade luncheons, receptions, and informal trade discussions were held. FAS did not rent or allocate space within the U.S. exhibit to individual firms or other organizations as do other nations.

FAS provided all the general services associated with the fair including: overall management of the U.S. exhibit, commodity and trade luncheons or receptions, public relations activities, and local personnel to help staff the display areas. The stocking, procurement, and janitorial functions were contracted to a management agency such as the American Express Company.

Commodities featured in a given fair were selected on the basis of their importance to U.S. agriculture,

potential sales in the country concerned, and possible cooperation by the trade in the country. Cooperating U.S. organizations were invited to send representatives to the fair, but FAS generally paid expenses for only one individual for each industry group. Selection of this industry representative is the responsibility of the cooperating group. Regardless of his affiliation, he represented the entire industry and not a particular firm or a special segment within the industry. For the commodities included, one or more members of each FAS commodity division often attended to assist in the general management of the exhibit and to provide additional commodity representation. Local representatives of 104(a) cooperators usually worked with personnel from the attaché's office and others in FAS prior to the opening of the fair to help organize commodity luncheons and plan individual displays.

FAS financed most trade fair activity from U.S. accounts resulting from Title I sales. Therefore, currencies other than dollars and Deutsche Marks were used for the German exhibits. This practice sometimes resulted in a higher total cost than if dollar exchange were used. For example, in order to utilize Israeli currency, the 1960 IKOFA exhibit was built and paid for in Israel and then flown to Germany. Because of the sole use of Deutsche Marks and dollars the 1958 IKOFA exhibit was less costly than the 1957 ANUGA for which Italian lire and Spanish pesetas also were used.

THE TRADE FAIRS BRANCH

The Trade Fairs Branch of FAS is organized under the Foreign Trade and Promotion Division. Due to a rapid increase in the scope of operations and limited staff, the Trade Fairs Branch often recruits help from other FAS divisions.

Government sponsorship of U.S. participation in food and agricultural fairs is a new activity within the USDA. Thus, the Trade Fairs Branch experiments with various approaches to determine the most effective methods for presenting U.S. agricultural products to current and potential foreign consumers. Plans are currently being made to organize an "all United States" food fair in the summer of 1961 in Hamburg. Other agricultural exporting nations have conducted similar activities in Europe with apparent success for many years.

Evaluation

Comments in this section are based upon observations made at the 1960 Food Fairs in London and Munich.

The objectives of trade fair participation are much broader than promotion and market development for U.S. farm products. By entering trade fairs, FAS promotes good public relations for the United States and U.S. agriculture. This is part of a total program to create better understanding among nations. Countries with whom we compete economically and politically, including the Communist nations, place significant emphasis on these fairs and usually present displays of high quality.

Trade fair activities in Germany generally met both the market development and public relations objectives. Although there is still much to learn, the Trade Fairs Branch is flexible, receptive to innovations, and provides good leadership. Trade Fairs Branch personnel seriously evaluate their performance and try to measure the success of their operations. Furthermore, they encourage other groups to submit criticisms of past activities and suggestions for improvement.

However, greater emphasis is needed concerning relations with

Table 26. FAS trade fair activity, West Germany, 1955-1960

Year	Fair	Location	Currencies used	Approximate authorized dollar equivalent*
1955	ANUGA †	Cologne	United States	\$ 8,500
1957	ANUGA	Cologne	German, Italian, Spanish, United States	223,800
1958	IKOFA †	Munich	German, United States	200,500
1959	ANUGA	Cologne	Columbian, German, Spanish, United States	219,200
1959	Green Week §	Berlin	German	10,000
1960	IKOFA	Munich	Columbian, German, Israeli, Spanish, United States	341,100
1960	Green Week #	Berlin	German	65,000

*Estimated by the Trade Fairs Branch of FAS.

†Allgemeine Nahrungs-und Genussmittel Ausstellung (General Provisions and Fine Foods Exhibition).

‡International Kolonialwaren-und Feinkost Ausstellung (International Exhibition of Groceries and Fine Foods).

§Exhibit planned and carried out by Great Plains Wheat Growers Association.

#Funds turned over to United States Information Service.

U.S. industry groups. U.S. firms should be more fully informed of the significance of trade fairs in the European market structure and encouraged to participate individually in future fairs. The participation of the Grocery Manufacturers of America (GMA) in the 1960 U.S. exhibit at the London and Munich fairs was such an advance.

EXHIBITS

It is not necessary for the U.S. exhibit to be the biggest and best at any particular fair. Foreign policy considerations, if nothing else, suggest that we should not always overwhelm the efforts of countries with a financial disadvantage. Nevertheless, U.S. exhibits should be of high quality, professionally executed, and in appropriate taste with respect to the host country and the overall fair theme. This, generally, has been achieved in the past.

In some cases, however, the U.S. exhibit did not blend well with the physical set up and traffic pattern of the fair. Experience, closer planning with the general fair management, knowledge of the fair traditions and the customs of the country would resolve such problems. Trade Fair personnel should not rely heavily on designers and other fair experts whose training is limited to American situations.

Some objections have been raised about returning to the same fairs in Germany each year: (1) the tendency to reach the same audience each time, and (2) only a small percentage of the potential consuming public for U.S. farm products are reached. Because of the importance of the ANUGA and IKOFA fairs, there is sufficient justification for past participation. However, there may be a need to reduce the scope of the exhibits at these fairs and increase participation in other cities of

Germany. The present plan to sponsor the "all U.S." fair in Hamburg answers many objections.

INDUSTRY PERSONNEL

The selection of individuals to represent industry groups at trade fairs should continue to be the responsibility of cooperating organizations. This process generally led to the selection of excellent representatives. Nevertheless, FAS must stress that these individuals be selected on the basis of industry experience, capability, and potential effectiveness in representing the interests of their industry to foreign buyers.

FAS also should train these people for trade fair activities. This training might include an orientation regarding market development objectives and activities in general and trade fairs in particular. Industry representatives should be able to answer the inquiries arising on activities at the trade fair. Several days preparation in Washington with personnel in the commodity divisions, Trade Fairs Branch, and others in FAS followed by a day or two at the fair site would greatly improve their effectiveness. Although these individuals usually are highly paid in their regular positions, the marginal return from advance preparation is undoubtedly worth the time required.

COORDINATION WITH THE MARKET DEVELOPMENT ACTIVITIES

Trade fairs permit 104(a) cooperators to coordinate their activities in a foreign country with a larger overall market development effort. Several cooperator representatives seriously questioned the market development value of trade fairs.

They argued that greater returns in terms of increased sales for their product could be achieved by an equivalent expenditure added to their project budget. They may be correct, but this points up a difference in the objectives of: (1) a commodity group, and (2) 104(a) activities as a whole. Trade fair participation satisfies the overall objectives of 104(a). It could satisfy the objectives of the commodity groups more satisfactorily if activities were better coordinated.

Cooperation with commodity groups is not limited to those with active 104(a) projects. Trade fairs can lead to other market development activities. For example, the rice industry participated in trade fairs in the United Kingdom and Germany for several years. This built interest in U.S. rice and established trade contacts in the foreign countries. In the meantime, U.S. industry support for overseas market development work was solidified. Now the rice industry is beginning 104(a) commodity projects in both countries. This approach helped avoid false starts and unsatisfactory market development project

arrangements. GMA appears interested in the same approach for starting market development work in Germany.

Trade fairs also could be useful market development activities for commodities subject to periodic shortages in export supplies (e.g. fruits and lard). When supplies are available individual market development projects could be built around trade fair participation. When supplies are short the trade fair activity could maintain trade contacts and, possibly, replace other project functions.

The coordination of trade fair activity with the agricultural attaché's office and the role of the attaché should be more clearly defined regarding prior planning and activities during the fair. Coordination of activities among the Trade Fairs Branch, attaché's offices, and the 104(a) cooperators would be aided by an assistant attaché for market development. He could make arrangements before the arrival of the trade fair staff and encourage the 104(a) cooperators in the country to work more closely with the fair.

CHAPTER X. FAS SPECIAL PROJECTS

IN ADDITION TO trade team visits conducted as a part of other 104(a) activities, FAS sponsored study visits to the United States for two teams of German experts in the field of food purity and inspection. These visits were authorized under two special FAS projects and were financed by 104(a) funds.

Description of the Projects FOOD INSPECTION TEAM

The first project provided for the visit of a German food inspection study team from October 8, 1957 to December 5, 1957. The three individuals involved were:

1. A chemist and member of the Bundestag committee on the German food law;
2. A chemist and Director of the German Research Institute for Food Chemistry, Munich;
3. A marketing advisor to the Federal Ministry of Food, Agriculture and Forestry.

The objectives of the project were: (1) to acquaint German scientists with U.S. food laws, and (2) to increase trade by encouraging removal of import prohibitions.

German food inspection regulations prohibit importation of many food products containing additives that are regularly used and approved in the United States. Principal foods involved are fruits on which are used pesticides, cleansers, color-add, coatings, decay inhibitors, etc., and lard where use of additives to lengthen storage life is a common U.S. practice. It was hoped that the opportunity to discuss U.S. pure food and drug laws with U.S. experts and to personally observe U.S. food production, processing, and inspection procedures would aid the German team in their understanding of U.S. laws. In turn, these German experts might influence future West German regulations regarding U.S. food imports.

The first 2 weeks of the visit were spent in Washington where the team discussed food inspection and related problems with officials in FAS, ARS, the Food and Drug Administration, and the National Research Council. In addition, they attended sessions of the annual meeting of the Association of Official Agricultural Chemists, Inc. Visits were made also in Michigan, Illinois, California, Florida, Georgia, Virginia, and New York with representatives of chemical companies, the American Meat Institute, USDA Utilization Research and Development Laboratories, the University of California, and other organizations. They observed production and marketing practices, food laboratory facilities and programs, and field research projects and facilities. In addition to the personal experiences, the team acquired many publications on U.S. food inspection and related matters. At least one person from FAS or ARS accompanied them at all times.

VETERINARY TEAM

The second project was the visit of three German veterinary inspection officials from July 9 to 19, 1958. They were:

1. The Chief of Meat Inspection Service, Federal Ministry of Agriculture;
2. The Chief of Meat Inspection Service, Hamburg;
3. The Director of the Institute of Meat Technology at the Federal Research Institute for Meat Products, Kulmbach.

A German assistant in the U.S. agricultural attaché office, Bonn, accompanied the team as an interpreter.

The objectives of the project were: (1) to confer with USDA officials regarding inspection and import regulations for variety meats and lard, and (2) to observe U.S. veterinary inspection procedures.

German veterinary inspection practices, particularly on imported meats, are very rigid. For example, even though U.S. shipments of variety meats are accompanied by certificates of ante- and post-mortem health inspection, each liver and kidney coming into Germany must be individually inspected.

It was believed that the opportunity for U.S. and German officials to exchange views would lead to the eventual elimination of problems created by differences in inspection practices. Furthermore, it was hoped that if German officials observed American slaughter and inspection practices firsthand, it would dispel some concern over supposed laxity in U.S. sanitation and inspection practices.

The team stayed 2 weeks in the United States. The first 4 days were spent in Washington where discussions were held with officials in FAS, ARS, and the American Meat Institute. They also visited the animal husbandry, meat utilization

research, animal disease, and parasite laboratories in Beltsville. They then toured packing plants in Illinois, Minnesota, Iowa, and Wisconsin. A trip to Iowa State University was also included. The visit concluded with a conference with USDA officials in New York.

German Food Laws

Before evaluating the projects it is necessary to briefly discuss the German food inspection practices and beliefs. Germany is a federation of states. Each state assumes responsibility for defining and enforcing its own specific food inspection requirements. Nevertheless, the federal government has a basic food law.

Many German people believe in keeping the total food supply as "pure" or "natural" as possible. A powerful lobby developed to promote these interests in the federal government. Their task has not been too difficult. Abuses in the use of food preservatives and other additives within Germany received widespread publicity. The recent U.S. publicity regarding hormones in poultry and chemicals used in cranberry production received great attention in the German press. Thus, it is possible to stir up considerable support against almost any kind of chemical treatment of food products.

The beliefs of the so-called "naturalists" predominate in the formulation of German food laws. Because of the widespread use of chemicals in production and processing of foods in the United States, particular attention is paid to U.S. exports.

A more thorough discussion of the German Food Law and related problems is contained in an evaluation of the Food Inspection Team prepared by an assistant agricultural attaché. Currently, the attaché's office is studying the "Law" and its implications to U.S. agriculture.

Evaluation

Because of the German food laws and inspection practices relating to U.S. exports, the inspection team projects were good market development efforts. Very little was accomplished in terms of changes in laws or inspection practices. Nevertheless, the U.S. position concerning needed changes undoubtedly received additional support as a result of the projects.

The timing of the projects was particularly appropriate. The food inspection project was arranged prior to the revision of the German food laws. The veterinary project followed a period of difficulty regarding chemical additives in U.S. lard.

Selection of individuals to make the trip was apparently as good as could be achieved. Participants took their responsibilities seriously, were well qualified in their respective fields, and had the potential to influence changes in regulations. For the food inspection team it would have been desirable to include German government officials directly concerned with the inspection laws. However, their omission was not the fault of FAS.

These visits were well handled. Itineraries were arranged in advance and showed excellent planning. However, the schedules were extremely full. There was little or no opportunity for "side-visits" or for time in which to collect thoughts, write down impressions, etc. The visitors also should be allowed sufficient time to obtain a general impression of the United States.

Projects of this type should be continued. They are an excellent market development activity and promise large long-run returns relative to costs. In general, 104(a) expenditures should stress bringing people from other countries to the United States in preference to sending Americans overseas.

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EXPANDING THE DEMAND FOR FARM FOOD PRODUCTS IN THE UNITED STATES

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