Analysis of the Return on Investment in USMEF’s Market Development Programs

Summary
Independent analysis by Dr. Harry Kaiser at Cornell University concluded that USMEF’s export market development programs are producing significant returns on investment. His research showed that each dollar invested in USMEF’s export programs generated median net returns of $3.87 and $7.42 for the beef and pork industries, respectively. Click here for FULL REPORT.

Background
Recognizing that USMEF’s funding sources face competing demands for limited resources, an independent assessment was commissioned on the return that USDA and beef, pork, corn and soybean producers receive on their investments in USMEF’s export market development programs.

Objectives
The research addressed the following three questions:

a) How much of the growth in beef and pork exports is the result of USMEF’s export market development programs as compared to other demand factors?

b) How much would U.S. beef and pork exports fall if expenditures by USMEF on export market development programs decreased?

c) What are the incremental benefits measured in terms of the increased value of beef and pork exports resulting from an increase in expenditures by USMEF on export market development programs?

Independent Assessment
To ensure the objectivity of the research, proposals were solicited from leading academic researchers at land grant universities across the country. Following a careful review of the proposals, Dr. Harry Kaiser, the Gellert Family Professor of Applied Economics at Cornell University, was engaged to carry out the research.

USMEF’s programs resulted in average annual increases in net revenue of $46.3 million and $85.7 million for the beef and pork industries, respectively.

Each dollar invested in USMEF’s export programs generated median net returns of $3.87 and $7.42 for the beef and pork industries, respectively.
Methodology

An econometric model was used to estimate the impact of USMEF’s expenditures on export market development on demand for U.S. beef and pork in international markets. The model also was used to simulate the impact a reduction in funding for USMEF’s export programs would have on beef and pork exports. Additional simulations were used to estimate the impact of USMEF’s programs on beef and pork industry net revenue. These results were then combined with data on USMEF’s program expenditures to estimate the return on investment in USMEF’s programs.

Results

◆ The model showed that over the past 10 years, export market development programs along with exchange rates and prices were important determinants of import demand for beef and pork.

◆ Comparing the results of this research to the outcomes reported in 16 similar studies of other commodities indicates that USMEF’s programs have had a larger impact on demand than most other export market development programs.

◆ The simulations showed that reducing USMEF’s funding by 75 percent during the period 2001-2010 would have reduced beef exports by 213 million pounds per year or 36.1 percent over the 10-year period. The results indicate that a reduction in pork funding would have an even more dramatic impact with exports declining by 324 million pounds per year or 30.6 percent over 10 years.

◆ Additional simulations showed that USMEF’s export market development programs resulted in significant additional beef and pork industry net revenue. In the case of beef, the average increase in net revenue ranged from $21.7 million to $90.9 million per year with a value of $46.3 million for the median scenario. The average increase in pork industry net revenue ranged from $39.9 million to $169.7 million per year with a value of $85.7 million for the median scenario. Simulations used a range of estimates for own price elasticity of supply and net margins for the red meat industry.

◆ Comparing these estimates of increased net industry revenue to data on USMEF’s expenditures on its export market development programs results in average returns on investment, or ROIs, for USMEF’s beef and pork programs.

◆ The model showed that each dollar invested in USMEF export programs generated median net returns of $3.87 and $7.42 for the beef and pork industries, respectively.

◆ Since producers’ investments account for roughly half of USMEF’s program expenditures, the ROIs for beef, pork, corn and soybean producers are roughly twice the level of returns on total investment.

◆ ROIs were also estimated for individual markets. The model showed that the markets which produced the highest returns on investment in USMEF’s beef programs were Mexico and Japan, and that Hong Kong, China and Mexico produced the highest returns on investment in USMEF’s pork programs.

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