Zig Ziglar for Undersecretary of Agriculture for Trade Promotion

When things don't go as expected, we humans often conjure up scapegoats rather than admit an error or miscalculation. Take crop export demand. "We" in agriculture have been convinced for years that exports will be the driving force of future growth in U.S. crop demand. We said that in the mid-80s, late-80s, early-90s, mid-90s, late-90s, and we still hear it in the early-2000s. And, occasionally for brief—very brief—periods of time, crop exports actually do buoy prices and incomes but when exports advance they quickly retreat, leaving a flat-trend trail that is now about a quarter of a century long. During this time, "we" said we were sure that the "real export demand" would stand-up and make agriculture prosperous if we lowered price supports, well then if we eliminated price supports with the marketing loan, er…uh…well…if we did away with set-asides and gave farmers the flexibility to produce unconstrained so our competitors could no longer take "our" export markets.

Recently, we have been told numerous times that the Congressional Ag committees no longer pay much attention to those claiming that exports will solve our farm price and income problems real-soon-now. Yet, there are many who still believe. Some would say it's a matter of salesmanship. All we need to do, they say, is to find a proven, highly successful sales-team who eat and breathe sales—people who could sell Hawaiian ice cubes to Alaskans. Turn them loose on the world to promote and sell American grain, seeds and cotton. They believe that if we had salesmen like Zig Ziglar and deal-closers like Donald Trump, the elusive export sales would be captured at last making crop agriculture prosperous and massive government payments unnecessary.

Let's look at that assumption. An aggressive salesperson usually adopts a three-fold strategy to maximize the effectiveness of his/her efforts: 1) cultivate additional demand from existing customers, 2) cultivate new customers and 3) lure customers away from competitors. Let us examine each of these strategies; the first one in this column and the other two in a subsequent column.

Cultivate additional demand from existing customers

Cultivating additional demand from existing customers is usually a highly effective way for a salesperson to increase sales. If you stop in a store to replace the cell phone that you dropped and broke, the salesperson may ask you about purchasing additional phones for your spouse and child. After all it will provide them with a measure of safety should they be stranded by mechanical trouble or bad weather. And then there is the issue of which package of minutes you need. Before you know it, you are committed to spending $59.95 a month on an expanded package of services when your original intention was simply to replace the phone that you dropped one time too many.

As we have shown in this column, demand for food, unlike that for cell phones, is relatively fixed. Once people have three solid meals a day, they are not likely to eat more. With increased income they may buy more expensive cuts of meat and eat out more often. They may go to the grocery store and purchase food that has been more fully processed. But their basic caloric demand remains relatively fixed. Our import customers may purchase additional grain to feed to poultry and livestock as they seek to increase their meat consumption. Salesmanship, however, has little to do with this shift in demand. Similarly, additional demand can come from using grains and seeds as feedstock for non-food uses like ethanol. Again, at least in the short term this is a decision that is out of the hands of the salesperson. In selling a product for which there is a relatively fixed demand there is little that a salesperson can do to stimulate additional demand.

But, what about China? With the entry of China into the World Trade Organization (WTO), couldn't a hotshot sales team make China a major long-term importer of American corn and soybeans? Some would say that the services of Zig and Don won't even be needed because now that the Chinese are in the WTO they will be buying American agricultural commodities. My belief is that Zig and Don may need to make the trip. I personally don't think that China joined the WTO thinking she would now become a major importer of U.S. grain and seeds. Even when China was not in the WTO, there was nothing preventing her from importing all of the U.S. agricultural products she wanted. In fact at the time the 1996 Farm Bill was passed, the general expectation was that the emerging Chinese middle class would be eating more meat, creating a rapidly increasing demand for U.S. corn as feed. As we know, instead of being a net importer, China has continued to be a net exporter of corn in recent years, competing with the U.S. in international markets. My guess is that the Chinese see their entry into the WTO as a means to increase all types of Chinese exports, including agricultural, not as means to facilitate dependence on the U.S for a significant share of their corn and soybean usage. In China and other countries, Zig and Don are likely to find that getting existing customers to buy more than their usual order is a tough sell indeed.

Could a Cracker Jack team of sales people uncover new customers for U.S. crop exports and/or lure export customers away from our competitors? We will leave those questions for a subsequent column.

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