Impact of USDA’s Market Development Programs

Below are the updated results of a previous cost-benefit analysis evaluating the impacts of the Market Access Program (MAP) and the Foreign Market Development (FMD) program on U.S. agricultural exports, the farm economy and the larger U.S. macroeconomy. Conducted by Global Insight, Inc., a respected private economic and financial analysis firm, and using multivariate econometric models for bulk commodities and high value products, they isolated the unique long-run trade impacts of market development. A comparison between this study’s updated trade models and those developed for the 2006 analysis indicates that the relationship between MAP and FMD spending and U.S. agricultural trade has strengthened in the intervening years.

Analysis of current funding levels

- Industry, incentivized by the government funding, unites and commits a significant level of industry funding to engage in overseas market development activities. Industry contributions, when added to the current $234.5 million in government funding, brings the total level of funding to over $570 million per year.
- Technical assistance and trade servicing (including trade policy support) accounted for most of USDA’s market development programs (60%) while consumer promotions accounted for only 20%.
- By 2009, increased market promotion and development spending is estimated to have increased U.S. export market share from 18.6% to 19.9% and the value of trade from $90.5 billion to $96.1 billion.
- U.S. share of foreign imports are 1.3 percentage points higher and U.S. agricultural exports will be $6.1 billion higher as a result of the increased investment by government and industry during 2002-2009.
- Multi-year impact of the increase in market development expenditures during 2002-2009 by both industry and government is equal to $35 in agricultural export gains for each dollar spent.
- Total economic gain to the U.S. economy is estimated to be an annual average of $1.1 billion from 2002-2009 from increased market development activity.
- An estimated 47% of the total trade impact of programs accrued to commodities that do not receive market development assistance – phenomenon known as the “halo” effect, i.e. non-promoted commodities benefited from increase promotion of other commodities in the same market.
- Producer prices for bulk and high-value agriculture products increased, causing annual direct government payments to fall 0.36% (equal to $54 million). Government spending for domestic supports (loan deficiency payments and countercyclical payments) fell about $0.30 for every $1 spent on MAP and FMD.
- MAP and FMD are WTO compliant and thus provide another means of supporting domestic agriculture.

Analysis of reduction in funding

- If these market development programs suffered a 50% decrease (less $280 million) in government and industry spending:
    - From 2009-2018, the U.S. share of rest-of-world (ROW) imports declines by $8.9 billion;
    - Farm cash receipts average $5.92 billion lower (1.8%) and net cash income drops $2.0 billion (2.6%) from 2012-2018;
    - Resulting reduced income and overall farm activity cause farm assets to decline in value by $44 billion and government farm income support payments to increase $60 million due to lower commodity prices.
- Overall loss in economic benefits is approximately 13.5 times greater than the savings taxpayers would see from not funding the program and about 5.7 times greater than the combined cost reduction to taxpayers and cooperators.

Final Analysis

MAP and FMD programs provide a basis for coordinated U.S. market development efforts that would otherwise be fragmented, under-funded or non-existent. It dispels criticisms that the economic impact of MAP and FMD is unclear and unquantifiable.