IDAHO MARKET ENHANCEMENT STRATEGY

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Summary

The Idaho Farm Bureau Federation’s (IFBF) market enhancement strategy is an example of leveraging local industry strengths and establishing long-term relationships to expand exporting opportunities. The IFBF is a not-for-profit, general farm organization that advocates on behalf of the Idaho agricultural community. At the root of the market enhancement strategy is IFBF’s underlying goal to promote and enrich farm markets so that farmers and ranchers in Idaho are better positioned to take advantage of economic opportunities.

More than a decade ago, IFBF representatives accompanied the state’s governor, representatives of the lieutenant governor’s office, and other key officials on a trade mission to Mexico. With that initial trade tour, the Idaho Farm Bureau Federation developed a relationship with Mexican flour-milling companies that they have continued to nurture and cultivate over the years. In addition to building and maintaining long-term relationships, the IFBF has partnered with (1) industry to assist with refining IFBF members’ knowledge of grain markets and (2) a grain marketing team for assistance with market development.

This practice illustrates how trade associations such as IFBF can play key roles in increasing demand for exports, including resource-intensive agricultural exports. Increasing exports need not require a border or seaport location, as this practice uses inland-port infrastructure. A key lesson of this practice is the importance of long-term partnerships between the state, the trade association, and Mexican officials to building trust and mutual understanding, which eventually leads to greater exporting opportunities.

Background

Idaho is located in the northwestern United States. In 2011, its population was an estimated 1.6 million, an increase of more than 20 percent from 2000. Compared to the average of 87 persons per square mile in the nation, Idaho is one of the least densely populated states, with only 19 people for every square mile. Given Idaho’s abundance of land and natural resources, agriculture plays a large role in the state’s economy. The agriculture, forestry, and fishing sector contributed nearly 6 percent of the total gross domestic product (GDP) in Idaho in 2011, whereas the same sector represented only 1.2 percent of the GDP in the United States.¹ In 2011, seven of the state’s top 25 exports were related to agriculture.

Nearly 22 percent of all land in Idaho, or 11.5 million acres, was dedicated to farmland or ranchland in 2007.² Wheat is harvested in 42 of the 44 counties in Idaho, with the northern and eastern regions having the largest share of wheat production, 32 percent and 43 percent, respectively.³ There were 1.35 million acres of harvested wheat in 2010 in the state, second only to hay, which accounted for 1.47 million harvested acres. In terms of cash receipts, sales of wheat generated more than $533 million for Idaho wheat farmers in 2010. This represented about 9 percent of the total cash receipts for all Idaho agricultural commodities in 2010.⁴

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Idaho’s agriculture accounted for 21,904 jobs in 2011, or 4.4 percent of the state’s total number of estimated jobs in the private sector. From 2001 to 2011, total agriculture jobs increased by 10 percent (2,062 jobs) in Idaho, but decreased 1 percent in the United States. Approximately 36 percent of all agriculture jobs in the state were involved with crop production, which had a location quotient (LQ) of 3.26 in 2011. Despite representing a small share of the total crop production employment, wheat farming (344 jobs in 2011) had a LQ of 13.65—confirming the concentration of the wheat industry in Idaho. A location quotient measures the competitiveness of an industry between two areas (in this case, between Idaho and the United States as a whole). A LQ equal to 1.0 indicates that the percentage of employees for that industry is the same in Idaho as it is in the United States. A LQ above 1.0 indicates a higher percentage of employees are employed by the local industry compared to the national equivalent, and a LQ less than 1.0 indicates a lower percentage of employees in the local industry than employed in that industry in the United States. A high LQ indicates a local specialization in a particular industry. From 2001 to 2011, wheat-farming jobs have increased by 72 percent in Idaho, compared to just 36 percent in the United States. Idaho is increasing market share in wheat production as the state is home to 6.3 percent of the total wheat-farming jobs in the country, a slight increase from the 5 percent Idaho claimed in 2001.

Although the number of direct wheat-farming jobs is small, as a crop wheat impacts numerous other industries involved in the overall production process\(^5\). Flour milling, grain and field bean merchant wholesalers (grain elevators), wholesale trade agents and brokers, and farm product warehousing and storage are among industries influenced most directly.\(^6\) These ancillary industries are also directly affected by fluctuations in the wheat markets. Combined, Idaho counts 3,431 jobs in these industries.

Over 50 percent of Idaho wheat is exported. Given cost efficiencies and proximity to the inland port in Lewiston, Idaho, most of the wheat produced in northern Idaho is exported by barge, whereas wheat produced in the eastern region is mainly transported by truck or rail. Northern Idaho exports 93 percent of the wheat it produces, but eastern Idaho exports only 17 percent of the wheat produced in the area.\(^7\) The value of all Idaho wheat exported in 2010 reached nearly $300 million, third highest of all the Idaho food and agriculture products exported that year. Canada, across Idaho’s northern border, was the single largest importer of all Idaho agricultural exports in 2010, garnering 22.6 percent of the market share. Mexico and Japan were the second and third largest importers of agriculture products from Idaho that year, with 17.8 percent and 8.8 percent, respectively.

Given the prominence of agriculture to Idaho, several industry-related organizations represent specific commodities produced in the state. The largest of these is the Idaho Farm Bureau Federation (Idaho Farm Bureau or IFBF). Idaho Farm Bureau is a non-profit, general farm organization that represents farming and ranching families throughout the state. It comprises 38 county chapters with active boards and more than 64,000 members. Based in Pocatello, Idaho, IFBF is funded through membership dues, and it advocates on behalf of farmers and ranchers in various areas including trade, environmental regulation, conservation, and state policy pertinent to members. By its very nature, Idaho Farm Bureau is a grass-roots organization that serves as a single voice for Idaho’s agricultural community.

Organized in May 1939 as an independent farm organization, Idaho Farm Bureau, along with Puerto Rico and

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5 To a certain degree, the NAICS codes used to classify wheat farming will not completely capture the total number of jobs actually involved in wheat farming. For instance, people that operate a diversified farm may grow more acres of another crop other than wheat, or they may plant wheat as a rotational crop. This influences the primary NAICS industry they report and may skew the employment numbers downward.

6 Wheat production also creates transportation and freight forwarding jobs.

the other 49 independent state farm bureaus, operates under a cooperative agreement with the American Farm Bureau Federation (AFBF). Similarly, each county farm bureau affiliate in Idaho is a separate legal entity that operates under an agreement with the IFBF. Under this agreement, county-level farm bureaus are responsible for collecting member dues, including the state and national portions, which fund programs and policy development at each respective level. The main goals of the Idaho Farm Bureau are to promote Idaho agriculture in general and to "enhance net farm income and improve quality of life for farm and ranch families."8

Although wheat is just one of the many commodities that the Idaho Farm Bureau promotes, it is significant for international expansion. Over a decade ago, the IFBF Board of Directors saw an opportunity to improve and expand markets, both domestically and internationally, for wheat produced by Idaho farmers. In 1996, Idaho’s current Governor Butch Otter9 organized a trade mission to Guadalajara to meet with Mexican officials. This was just two years before the full launch of the North American Trade Agreement (NAFTA).10 The IFBF was one of the groups asked to join the trade tour on behalf of Idaho farmers and ranchers. From that initial trade tour, IFBF began taking a group of farmers on subsequent trade tours to promote Idaho’s agricultural products. In particular, IFBF recognized that although wheat was a quality product, its prices were low and the commodity needed strengthening. The marketing and promotion programs supported by IFBF were revised and a new and innovative market development strategy was crafted. Emphasis was placed on market research and education, traditional marketing activities, and new marketing methods.11 One innovative strategy was the partnership between IFBF and a company established in grain marketing and brokerage services, AgriSource Inc., and two market education teams–JC Management and Market Quest Research Associates.

Funding for the market enhancement strategy was paid for by member dollars and some grant funds. The line item cost for the practice within IFBF’s total budget is $30,000 per year.12 Most of the amount, 59 percent, is dedicated to research and dissemination of market information to IFBF members. Promotion of agricultural commodities through traditional trade missions and reverse trade missions makes up 25 percent of the total budget for the practice, and the remaining 16 percent is spent on market seminars and the delivery of wheat contracted with millers in Mexico. According to Dennis Brower, current director of commodities at IFBF, a small percentage of the proceeds from the sales of wheat goes to help pay for future reverse trade missions so that expenses to bring buyers up from Mexico are completely covered by the Idaho Farm Bureau and the brokers and grain companies with whom IFBF has formed a partnership.13

The Practice in Operation

The Idaho Farm Bureau market enhancement strategy is geared toward IFBF members and foreign countries interested in purchasing Idaho’s agricultural products. While time is spent visiting various countries to foster relationships, most of the emphasis has been targeted toward Mexican flour millers who value reliable and consistent wheat product. The market enhancement strategy developed by the IFBF focuses on three key areas: (1) market analysis services and education, (2) participation in traditional trade missions, and (3)

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9 He was serving as lieutenant governor at the time.
10 Subsequent to passage of NAFTA, which alleviated most of the barriers to trade and investment across North American border countries, Idaho established a trade office in Guadalajara to help facilitate and support trade between Mexico and Idaho.
12 Ibid.
13 This case study includes information from interviews with IFBF Commodity Director Dennis Brower on September 12, 2012 and with Laura Johnson, Idaho State Department of Agriculture Marketing Division bureau chief, on October 2, 2012.
facilitation of reverse trade missions.

Market Analysis and Education
Idaho Farm Bureau places considerable importance on continuing the education of its members regarding commodity markets by introducing this aspect of the market development strategy first. It also represents the largest share of the budget allocated to the strategy. Ensuring that members understand the global and domestic factors that affect the wheat market remains a key component of the strategy, as well as being instrumental to the overall mission of Idaho Farm Bureau.

The IFBF contracts with several local consultants to provide market analysis services and reports to members through dissemination on the Web or via email. Kelly Mendenahall of Market Quest Research Associates provides a daily email to subscribers that reports on the happenings in the wheat, corn, beef, and dairy markets. Members can also call a toll-free number to get the latest market information in Idaho, Oregon, and Utah.

Currently, IFBF contracts with market analyst Clark Johnson of JC Management to (1) provide commentary in IFBF publications and (2) conduct seminars statewide to discuss appropriate methods and strategies of enhancing profits and managing the risks inherent in commodity production. In 2005, IFBF received a grant of nearly $10,000 from the Western Center for Risk Management Education to conduct seven grain-marketing seminars across the state. By holding the seminars in rural Idaho, IFBF could reach 160 members who might otherwise be unable to attend. In addition to statewide seminars, the IFBF often schedules marketing cruises. For instance, in 2003, IFBF held a marketing seminar on a cruise to the Mexican Riviera.

Trade Missions
According to Brower, every year officials with Idaho Farm Bureau Federation and a grain-marketing team from AgriSource Inc. travel to Mexico to try to generate trade agreements for Idaho wheat. There are some specific companies that IFBF has worked with over the years to establish a long-term partnership. During its time in Mexico, the IFBF team schedules appointments to visit with these specific companies and the affiliated industry associations. These recurring trade missions have been important to maintaining connections with companies interested in Idaho commodities, and also help to nurture the trading relationship between Mexico and the United States.

The Idaho Farm Bureau Federation also takes a delegation of its members on separate farmer-to-farmer trade tours. During these tours, IFBF members get an opportunity to learn more about the agriculture industry in the country they are visiting, to exchange ideas, and, in some cases, to visit mills where the wheat they have grown has been shipped. When visiting Mexico, the IFBF trade tour delegation often attends the AgroExpo, one of the largest agricultural trade shows in Mexico. Displaying Idaho agriculture commodities at this show is sometimes the Mexican public’s first introduction to food produced in Idaho.

The IFBF has participated in more traditional trade missions with several other commodity commissions, such as the Idaho Wheat Commission, the Idaho Bean Commission, and the Idaho Potato Commission. In addition

16 Source: http://www.agrisk.umn.edu/verification/vrregister.dll/publicresults?ProjectNumber=RME-B5001358
to industry-affiliated groups, IFBF has formed key partnerships with the Idaho State Department of Agriculture, the Idaho Department of Commerce, and the offices of the lieutenant governor and governor of Idaho. Since 1996, IFBF has taken 11 trade tours to Mexico, and members have also visited Canada, China, and Australia.

Reverse Trade Missions
The Idaho Farm Bureau Federation has been strategic and targeted with respect to the companies invited to visit Idaho. In general, IFBF has focused solely on Mexican milling companies interested in importing identity-preserved wheat.\(^\text{18}\) The IFBF identifies Mexican flour-milling companies to invite, generally those with whom IFBF has had previous contact. Company representatives then join the Idaho Farm Bureau, and the occasional co-host, on an all-expense-paid, two-day tour across the state to various wheat-producing regions. While on tour, Mexican millers can meet Idaho wheat growers and observe the wheat at various stages of the production process, whether in the field, at a grain elevator, on a vessel headed to the Port of Portland, or on a train.

Hosting Mexican wheat millers on reverse trade missions to Idaho has been instrumental in generating additional trade contracts for the local wheat industry. Buyers can see and experience the quality of the product firsthand. Brower states, “They want us to have a better understanding of their needs and what they’re looking for when they buy wheat.”\(^\text{19}\)

Results to Date
The IFBF market enhancement strategy focuses on expanding and supporting the Idaho wheat market. Not all results are easily measured, such as those regarding the education and research prongs of the strategy. Nor are the results instantaneous. For example, the first sale of wheat came nearly six years after IFBF first visited Mexico on the lieutenant governor’s trade mission. In 2002, seven flour mills purchased 85,000 bushels of white winter wheat worth $500,000. The relationship that grew from the initial contact was essential to the deal. Hilario Payan of Munsa Mills in Sonora, Mexico, said that it was important for Idaho Farm Bureau Federation to come down—“The importance of us meeting face to face is the most important step taken.”\(^\text{20}\)

In 2011, IFBF hosted Grupo Altex, one of Mexico’s largest wheat buyers and millers of wheat for Mexico’s largest bakery, Grupo Bimbo. Officials with IFBF first made contact with representatives from Grupo Altex during one of the governor’s trade missions to Mexico.\(^\text{21}\) The Mexican buyers were so impressed by the Idaho wheat that, during the reverse trade mission, Grupo Altex placed several orders of soft white wheat by the trainload. Shortly after the company representatives had returned to Mexico, they placed additional orders of the soft white wheat to be delivered by train and shipped from Portland, Oregon. They also ordered another variety, hard red spring wheat, by the trainload.

In 2011, Idaho wheat exports to Mexico totaled $25.9 million. Although the IFBF cannot claim that all of these exporting dollars resulted directly from its market development plan, improvement has clearly been made by the work that IFBF is doing in Mexico. Through June 2012, Idaho wheat exports to Mexico had increased 300 percent over the previous year. Laura Johnson, division chief of the Idaho State Department of Agriculture’s market development division, credits the Idaho Farm Bureau Federation’s continued efforts in Mexico as a reason why Mexican imports of wheat from Idaho have increased, and says, “They’ve been doing a lot of legwork down there for a number of years, and it’s really paying off. When they need wheat, they know where

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18 Unlike most wheat, identity-preserved wheat is not comingled. Instead, it is separated out by protein and quality.
20 Idaho completed $500,000 Mexico wheat sale. The Associated Press State & Local Wire
An additional result of the trade missions was that Mexican flour millers expressed a great deal of interest in purchasing more identity-preserved wheat. Ever mindful of profit margins, the buyer for Grupo Altex suggested the possibility of buying the specialty wheat directly from the grower rather than from the intermediaries. Further, during one of the trade missions, the owner of Grupo Altex invited Idaho officials to join him on a business mission to Cuba. This could result in a potential expansion of the market enhancement strategy to include wheat sales to another country.

Lessons Learned

The IFBF has created a market enhancement strategy that focuses on the development of domestic and international markets for wheat. The key aspects of the strategy include: (1) market research and education for current IFBF members, (2) building strategic partnerships through participation in trade missions, and (3) hosting reverse trade missions. This method differs from traditional export efforts in two ways. First, it is specific to one commodity primarily, although not exclusively, clustered in a particular region of the state. Second, Idaho has a comparative advantage specific to Mexico that shows the most promise as a trading partner.

The success of the strategy can be attributed to the long-term nature of IFBF’s efforts. Relationships with companies and officials from Mexico have been founded on trust and a mutual understanding of each entity’s goals. Commitment to nurturing and maintaining these relationships over time has been imperative for the success of the strategy.

The formation of strategic partnerships with governmental officials and trade associations in Idaho has also been a factor. These partnerships allow for greater networking ability and an increased sharing of information. Leveraging these local relationships helps to expose IFBF to additional market opportunities. Additionally, the inclusion of the locally established industry (i.e., the marketing consultants) has helped IFBF to focus its efforts and resources on the facilitation of the trade missions rather than on the actual logistics of the trade agreements.

The keys to replicability of this practice are commitment and follow-through. Every mission will not necessarily result in a sale; however, each mission helps to strengthen the relationship with the company and country and increases trust between the trade partners. Much of the success of the strategy is based on the actual structure of the strategy and on leveraging local industry strengths to target a particular country. Although IFBF opens its membership only to Idaho farmers and ranchers, it’s possible for specific counties, or geographic regions, to form a coalition of farm bureaus and apply IFBF’s strategy to their own local industry strengths.

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## Milestones

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<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>1994</td>
<td>The North American Free Trade Agreement (NAFTA) is fully launched.</td>
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<tr>
<td>1996</td>
<td>Idaho Farm Bureau Federation participates in governor’s and lieutenant governor’s trade missions to newly established trade office in Guadalajara, Mexico.</td>
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<td>1997</td>
<td>Trade mission – Guadalajara and Puerto Vallarta, Mexico.</td>
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<td>1998</td>
<td>Visitation to Sinoloa, Mexico.</td>
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<td>1999</td>
<td>Trade trip to Alberta, Canada, and trade show (AgroExpo) in Cuilican, Mexico.</td>
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<tr>
<td>2000</td>
<td>Trade mission – Vera Cruz, Mexico.</td>
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<td>2002</td>
<td>Sinaloa, Mexico; first sale of wheat sold to Mexico.</td>
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<td>2003</td>
<td>Alberta, Canada; Mexican Riviera marketing cruise (seminar).</td>
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<td>2004</td>
<td>Agro Expo Trade Show in Cuilican, Mexico.</td>
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<td>2005</td>
<td>Visits to Sonora and Sinaloa, Mexico.</td>
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<td>2006</td>
<td>Trade mission to China occurs.</td>
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<tr>
<td>2007</td>
<td>IFBF staff travel to Jalisco and Colima, Mexico, and to Agro Expo trade show in Cuilican, Mexico.</td>
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<td>2008</td>
<td>Trip to Australia.</td>
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<td>2009</td>
<td>Marketing cruise (seminar) in conjunction with AFBF Annual Meeting in San Antonio, Texas.</td>
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<td>2010</td>
<td>Trade mission introducing producers to prospective buyers in Guadalajara and Mexico City.</td>
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<td>2011</td>
<td>Reverse trade mission with Mexico; Visit Guadalajara, Toluca, Mexico City, Zihuatanejo, Mexico.</td>
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<tr>
<td>2012</td>
<td>Reverse trade mission with Mexico; Hawaii cruise.</td>
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<tr>
<td>2013</td>
<td>Reverse trade mission with Mexico planned; Trip to New Zealand planned.</td>
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</table>
References


The Associated Press State and local wire service (2002). Idaho completed $500,000 Mexico wheat sale.


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