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Marketing Oregon Grass Seed in China: A Two-Decade View¹

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Abstract

China is a market of great interest to the agricultural and agribusiness industries, but many firms have reported difficulties in establishing themselves there. A closer look at the approaches used by a successful industry will help other industries and firms prepare themselves for the Chinese market. This study provides a historical look at a market development program undertaken by a trade association, and includes a discussion of domestic participants' perceptions about its impacts and about doing business in China. Two key characteristics of their success are a long-term commitment and training.

Introduction

China is a substantial participant in world trade, and has become an important market for food and agricultural exporters. Despite this firms in many industries have found China to be a difficult market to enter. One industry that has had great success in China is the Oregon grass seed industry. Oregon is the leading producer of cool-season grass seed in the US, and Oregon provides about a third of the grass seed on the world market. The industries involvement in China began more than twenty years ago. Although China's political and economic structure limited impact

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initially, the connections developed in the 1980s allowed rapid expansion in the 1990s as China's economy grew and became more open to international trade.

The approach used in China to develop the market was driven by the nature of the business. Like many agricultural input industries, the grass seed industry generally distributes seed through long-term relationships with dealerships. When efforts first began to establish China as a market for forage seed, China did not have an infrastructure of private distributors and dealerships. Even today the involvement of government and academia in China is greater than that in other markets. The lack of existing marketing infrastructure required an alternative approach, and this evolved over time. This study chronicles the activities of the Oregon Seed Council in China, presents perceptions of the Oregon grass seed industry regarding it, and draws conclusions for market development activities for agricultural input industries looking at China. The story begins with those involved in the market development activities.

The Cast of Players

There were a number of groups involved in the development of the Chinese grass seed market. The foremost of these is the Oregon Seed Council (OSC), a trade association formed in the 1960s. The group consists of seed growers and both large and small seed marketing companies. Their mission is to "inform and coordinate activities" on issues of interest to the grass seed industry (Oregon Seed Council, 2000). In addition to international market development activities, they have addressed topics of phytosanitary regulation and inspection, state branding, weed and disease control, and seed testing standards. As part of their international market development effort, the OSC coordinated and sponsored many overseas trade missions--trips where delegates from the US would visit a country and promote the Oregon grass seed industry in general. Usually, two or more members of the OSC would participate in the overseas trade missions, generally one producer and one from a seed company.

Other critical participants over the entire period were Oregon State University faculty from the Crop and Soil Science Department, who established relationships with Chinese colleagues, provided educational services, and technical guidance for, and evaluation of, seed trials. The resources of USDA's Foreign Agricultural Service were also utilized, and their personnel joined some of the earliest trade teams. The Oregon Department of Agriculture, which has a unit devoted to market development, facilitated the activities of the OSC in China from the beginning, and trade managers from the Department organized meetings and travel arrangements and accompanied many trade teams.

The 1980s

The first steps into the China market were made through the Oregon Department of Agriculture (ODA), which approached Chinese grassland specialists who then expressed interest in applying modern techniques to grassland problems including soil erosion. In 1980, the ODA arranged a shipment of seed samples for evaluation with the help of some of the Oregon seed commissions and Oregon State University. In 1982, a team consisting of a USDA Foreign Agricultural Service representative and an OSU professor made a follow-up visit to evaluate the trials and further establish contacts.²

Late in 1985, an agreement was reached including China's Institute of Animal Science, the Chinese Academy of Agricultural Sciences, and the Chinese Ministry of Agriculture³ to establish forage seed screening trials. These trials were supported by the American Seed Trade Association, which received funds from USDA's Foreign Market Development (Cooperator) Program. In addition to trials, representatives from the Oregon industry visited a number of research locations and gave seminars, and in 1987 the first workshop to train managers was given. This workshop, a short course given at Beijing Agricultural University, covered grassland production and management and was attended by employees from bureaus associated with animal science and academics from agricultural universities from various locations. In addition to activities in China, a number of Chinese researchers came to Oregon State University to study, and these individuals, as well as those holding the trials in China, became important links for the industry. The program continued to develop until 1989 when US-China trade relations were interrupted following the Tiananmen Square incident.

The 1990s

In 1992 the OSC restarted its program in China as a participant in the US Department of Agriculture's Market Access Program (MAP). Connections developed in the Eighties were reestablished and the OSC initiated new variety trials⁴ to investigate the adaptability of Oregon turf and forage grass seed to China's growing conditions. Forage production trials evaluated dry matter yield, and crude protein and non-digestible fiber content, and for some projects the feed was tested in the target animals' diet. One interesting project tested grasses for fish forage (grass-fed carp). A number of trials were also conducted to test the ability of various grass

² The incorporation of a university component is a natural one for the seed industry. In many countries, University researchers develop and field test new plant cultivars and study the use of grasses for forage, turf, and erosion control and in some cases supervise the genetic certification process. In China, particularly at that time, government research institutes and universities would have been the principle resource for information on agricultural production, and would have been the only avenue to use for in-country product testing.

³ Then referred to as the Ministry of Agriculture, Animal Husbandry, and Fisheries.

⁴ From 1996 through 2000 over 1500 trial plots were initiated.

seed varieties to control for soil erosion. In addition, a program of eco-zone mapping involving GIS (computer-based geographical information system) was undertaken to provide an information base that could help determine where varieties would be most suitable.

A special element of the market development strategy undertaken by the OSC was the signing of the China National Turfgrass Variety Trial Agreement in 1998. This agreement, between the leading agricultural universities and a number of agricultural government agencies in China and the grass seed industry from Oregon, was widely publicized. Eleven Chinese universities and agricultural academies participated in the trials providing a variety of test locations⁵. This allowed adaptability to be examined at different latitudes, with different soil, temperature and rainfall conditions. US seed firms paid a fee for each product they wished to have tested, which covered establishment, management and reports of the trials, and MAP funds were used for the supervision, promotion, and dissemination of the results in China. The official signing was attended by the Director of the General Department of Education of the Ministry of Agriculture of China, numerous representatives of cooperating institutions in China, five representatives of the Chinese press, Oregon's Governor, the Director of the Oregon Department of Agriculture, the President of Oregon State University, and many Oregon seed producers and seed company managers. The ceremony enjoyed good recognition in the Chinese press.

By the late 1990s many grass seed companies were no longer transacting all business on a long-distance basis. Some established offices in China, one firm established a distribution center, and others were using a local representative. Since 2000 the involvement of the Oregon firms in China has continued to grow.

The environment for economic activity also changed greatly in China from the 1980s to the 1990s. Some of the key changes for the development of the Chinese market were: research and academic institutions being encouraged to develop their own business activities, a push for beautification generated by a desire for tourism and to improve the bid for the 2008 Olympics, and private individuals being increasingly allowed to engage in entrepreneurial activities.

⁵ Training for the testing occurred at the time of the signing, and information to be collected during the trials included the rate and degree of establishment, disease ratings, color, appearance, and suitability of the grass seed varieties tested. A trial plot consisted of the proprietary cultivars of a particular company's seed, often duplicated at different sites, to examine suitability under different conditions. The China National Turfgrass Variety Trial Agreement tests included 110 entries ranging from 39 tall fescues to 2 bentgrasses. The experimental "method and maintenance practices including seeding, rate, block design, fertilizer application, irrigation practice, mowing, and weed and pest control were made according to standard trial protocol." The entries were tested at sites deemed appropriate for particular cultivars. Evaluations were completed in the summer of 2000.

Market Development

Before proceeding it is useful to consider the economic and business context used to examine market development. Grigsby and Dixit (1986) defined three categories of market development activities: promotion (principally advertising), trade servicing, and technical assistance. The principle decision makers for buying grass seed in China were bureaucrats, researchers, forage managers, seed handlers and farm managers; and so traditional advertising was not a key program component. However, potential Chinese buyers were unfamiliar with techniques for selecting, planting, maintaining, and harvesting cool-season forage and turf grasses so technical assistance was of great importance in developing the Chinese market. Trade servicing was also necessary to develop the connections necessary for business dealings.

Trade servicing and technical assistance generally impact demand by either lowering transaction costs or adding value for the customer. Overseas trade servicing is generally aimed at facilitating interactions between buyers and sellers. Technical assistance usually enables buyers to increase the benefits gained from the product. More formally trade servicing can be viewed as lowering buyer transaction costs, while technical assistance adds to the value of the product for the buyer.

Most agricultural trade programs undertaken by commodity commissions and trade associations include some type of trade servicing activity. In China this activity took place through trade team visits. The teams generally consisted of representatives from the OSC (producers and seed company managers), university faculty, and occasionally state or federal government officials. Their purpose was to provide the Chinese with information about the Oregon seed industry. The Oregon grass seed industry was able to demonstrate their commitment to the market through these trade servicing trips, and they provided an opportunity for relationships to develop with Chinese bureaucrats and scientists. In addition, some potential Chinese customers and scientists visited Oregon on reverse trade missions. These visits took the form of tours of the state's grass seed industry. These relationships and a commitment to a long-term interaction provided the trust and repetitive structure necessary in order to lower transaction costs.

Technical assistance, a prominent feature of the activities that took place in China, was provided through training efforts and seed trials. Training included seminars and workshops, but was also provided through educational field days that took place at seed trial locations. The presenters included individuals from OSC and OSU and some consultants as well as personnel from Chinese research institutions and universities. Trial results were presented and management, harvest and storage techniques were taught. A Chinese group sometimes requested specific training; for example, an instructor was requested for training in golf course turf

management. Key forage and turf managers, seed handlers and farm managers were targeted to participate in these seminars and courses (Oregon Seed Council, 1998). To learn more about grass management and the industry, a number of Chinese professionals also took advantage of the Cochran Fellowship Program, a program that trains industry professionals from foreign markets in both product technology and marketing methods.⁶

Technical assistance added value to Oregon grass seed through the increased ability of the Chinese to maximize the grass seed's potential. Underlying the technical assistance efforts were the seed trials. The trials were a substantial time commitment generally taking two to three years from time of planting to completion. The trials were initially intended to provide evidence regarding adaptability of US seed. In later trials, evaluations for specific uses such as forage and hay or erosion control took place. The trials naturally required the Chinese individuals that managed them to improve their skills to successfully establish and manage grass. The trial results also improved broader training activities by providing a background for seminars and workshops. The trials were the first step in developing cooperative research and educational programs with scientists from the most influential Chinese agencies and universities, such as the Chinese Academy of Agricultural Sciences (CAAS), the Chinese Agricultural University (CAU), and Nanjing Agricultural University (NAU).

Training is expected to increase demand for Oregon grass seed by raising information levels and increasing the value of the seed to buyers by improving their ability to use it. Training may also raise positive perceptions about a product and can also reduce risks in its use. Training can thus be looked at as reducing transaction costs for the buyer (the search cost of finding appropriate seed is reduced) and by raising the value of the seed to potential users because they are able to achieve higher yields, realize new uses for the product, or even reduce their risk.

Another aspect of transaction cost economics, asset specificity (the transferability of investments from one transaction to another), is implicit in technical assistance and trade servicing efforts.⁷ Transaction costs economics and asset specificity usually deals with business-to-business relationships. However, if the efforts of the Oregon Seed Council (OSC) to provide technical assistance and training, and develop trade service contacts with Chinese buyers are viewed as investments, the concept of asset specificity can be extrapolated to the situation of market development efforts.

⁶ The Cochran Fellowship Program has the dual objectives of improving the ability of participating countries to meet their domestic food needs and to strengthen linkages between those countries and "agricultural interests in the United States."

⁷ For example, little asset specificity is observed in the purchase of commodity grain for animal feed; however, more asset specificity is associated with the contract production and identity preservation of a specific grain variety that will be used in a feed mill. The asset specificity in the latter case is high due to the lower value of that grain outside of that unique contractual arrangement.

Outside of the Chinese market, there is no apparent value for the seed trials that took place in China and other activities invested in by the OSC. The investment by the OSC was received well as indicated by the level to which Chinese grass seed buyers were willing to invest (participate) in the programs. The Chinese firms are investing mostly human capital to attend the training activities and other activities conducted by OSC. The willingness of the Oregon seed producers and seed trade to invest in this “asset” with limited value outside China likely indicated a commitment to the market and to the relationships that were developed with grass seed buyers in China.

In general, both trials and training can be categorized as technical assistance activities within the terminology of market development. However, the information generated in trials also provides topics for conversation with government contacts and indicates a substantial commitment to China, which can improve the willingness of bureaucracy and other relevant parties to work with members of the US industry. Both actions lead to a barrier to entry for other firms, in this case other countries, leaving the Oregon seed industry enjoying a competitive advantage.

Guanxi

It is not possible to discuss business activities in China without including the concept of guanxi. Guanxi, translated as relationship or connection, is a term used to refer to a Chinese system of doing business on the basis of personal relationships.⁸ Abramson (1999), referring to Abramson and Ai (1997) defines the concept in a positive way as trust (which includes reliability, competence, personal relationships), shared goals, harmonious approach to handling disagreements and extensive network development.⁹ Sometimes guanxi is considered to be associated with bribery and many Chinese associate guanxi with favoritism.

Standifird and Marshall (2000) place guanxi in the light of transaction cost economics and argue that guanxi practice should be considered a fourth economic coordinating mechanism, after the market and vertical integration (Coase, 1937), and the hybrid described by Williamson (1991), which relies on contractual law, and information disclosure. According to Standifird and Marshall, guanxi or Williamson’s hybrid occur when the transaction requires a level of asset specificity that cannot be adequately coordinated by the free market, but not to such a level that vertical integration is required. They further suggest that guanxi is a more appropriate coordinating mechanism than Williamson’s hybrid when the transaction costs of the hybrid form would be higher than the guanxi form. This

⁸ The view that China is exceptional in this regard may be due to the fact that regular procedures and opportunities for doing business are little developed and have until recently been limited in China. Academic analyses suggest that business practices in many of the countries of the Asian Pacific Rim can be described in this way.

⁹ There is a large literature that elaborates on the finer points of guanxi. Discussions from the management literature can be found in Abramson and Ai (1997) and Xin and Pearce (1996).

situation occurs when the contractual law mechanism is ineffective or inaccessible, or when the existing size and complexity of the relational network is high.

There are business practices commonly utilized in market development and by many agribusinesses that are common to guanxi practices. These include the sharing of meals with business contacts, the development of long-term repeated interactions, and even doing business without a contract because a business client is trusted to come through based on the importance of their reputation. Even the exchange of favors evident in guanxi relationships can be compared to a businessman helping a client in business or more personal ways, e.g. helping someone they know find a job or acting as a reference between other clients. It is important to note that if the system is operating as a guanxi network, the typical interaction between parties will be based on personal relationships and not be based on legally enforceable contracts.

The efforts of the OSC to develop the China grass seed market as described in previous sections do conform to a large degree to aspects of guanxi. The trade missions and training programs offered over the years provided a long-term, repetitive interaction with participants from both sides. This interaction could develop relationships such as those found in guanxi wangs (networks). Specific activities (i.e., business meals, tours and discussions about product knowledge) conducted under the trade missions and training programs facilitated the development of relationships. However, there are other aspects about the market interaction between buyers and sellers that do not align with the guanxi style of doing business. For example, as will be noted in detail in the next section, contracts are a common practice, as is the requirement for letters of credit as forms of payment.

The evidence must be examined more closely to determine whether or not the OSC developed or entered into a guanxi system. However, as noted in the previous section, the business and economic models used to examine the success of the Oregon grass seed industry in China can readily be based on concepts of transaction costs and adding value.

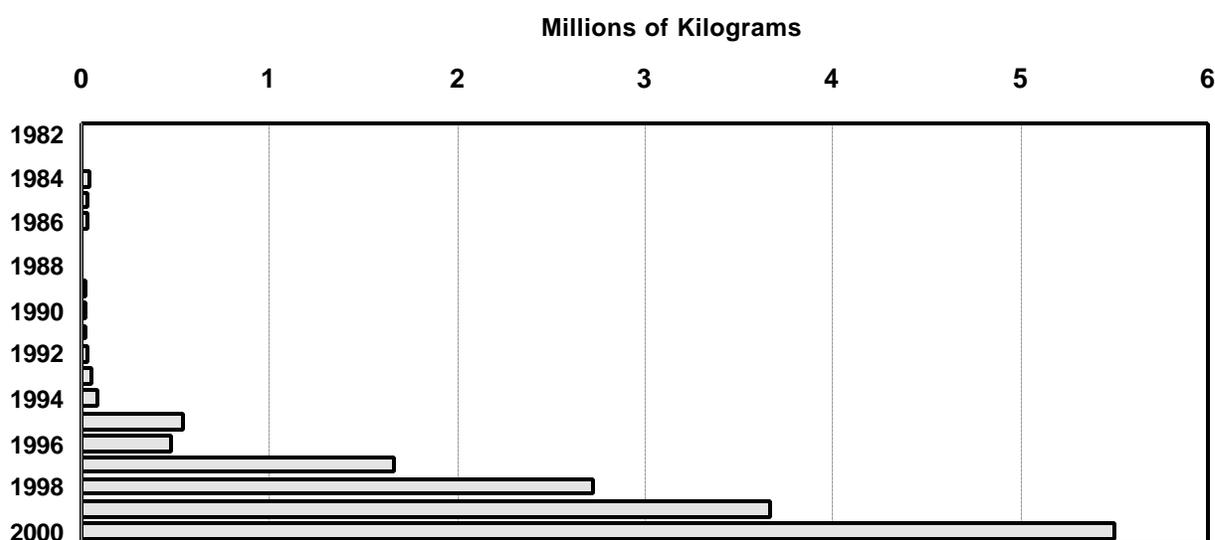
The Survey

The history of OSC's market development activity demonstrates that market development activities have been successful within the business culture of the Chinese. Economic analysis confirms this result: Vega-H and Durham (2003) tied the market development activities of the OSC to the increase in imported grass seed in an econometric analysis of import demand for grass seed.¹⁰ Their analysis

¹⁰ The analysis was undertaken with a panel data set of 13 importing countries over 19 years. Other explanatory variables included were the US and competitor's prices, GDP, and a lagged dependent variable to reflect the practice

indicated that the market development activities as measured by number of trade servicing contacts¹¹ (bureaucratic, academic, and general public) and number of participants attending training programs (technical assistance), were the principle components of the increased demand shown in the 1990s through to the year 2000 (see Figure 1). Over this period China shifted from a small importer to the third largest importer of US cool season grass seed, after Canada and Japan, with 14% of the value of exports in 2000. The increase occurred during a time of decline in most overseas markets, which made it particularly beneficial to the industry.

Figure 1 - Exports of Grass Seed from Oregon to China



However, the market development program was orchestrated by an entity representing the entire industry, not individual firms. How do the individual companies perceive the Chinese market development efforts and the Chinese grass seed market in general? A sample of managers from individual companies was interviewed to find out.

There were two principal objectives to conducting the interviews. One was to examine industry perceptions of the program and whether those perceptions matched results of the import demand analysis discussed above. The second was to explore how the market development strategy undertaken by the OSC related to the Chinese practice of *guanxi*. Seven interviews were undertaken, which represented

in the industry of establishing long-term relationships with dealers and distributors of seed. The OSC undertook market development activities in Chile as well as China over this period.

¹¹ During the active years in the Eighties, annual trade servicing contacts ranged from 20 to 38 individuals, there were 28 training participants in 1988. At their highest level in 1996 there were 213 trade servicing contacts, while the peak for training was 500 individuals in the 2000 marketing year.

about one-fourth of identified exporting firms and about one-half of the volume exported. The interviewees included general managers, presidents, and vice presidents, some who had participated in the OSC activities in China and some who had not. All but one had visited China. Their firms had different lengths of experience in China; some had begun exporting in the Eighties and others hadn't started until the year 2000. Three were managers of the Oregon operations of a multinational firm. A number of the firms sold only to government bureaus or universities who then resold the seed. These agencies appear, at least in some cases, to be a spin-off business entity. In addition a few already have offices in China, and some are selling to distributors. Only a small fraction of exports is to new entrepreneurs.

Industry Perceptions

With respect to OSC-MAP activities there was a positive perception overall of this program's effectiveness. They all believed that it had raised awareness and perceptions of Oregon grass seed. Most believe that useful governmental connections (or at least awareness) were an achievement of the program. Most thought that the government connections were important to doing business in China, and two expressed the idea that underlying it all some government official was determining the need for seed. Only two felt that government connections were not important. One mentioned that the training of future decision-makers through the cultivar trials might have been of great importance, and the Oregon State University participants also feel this to be the case.

The interviewees generally felt that the cultivar trials provided proof of species adaptability, though they did not believe that the trials had given specific firm's varieties an advantage. In addition some indicated that the trials were extremely important in exciting interest on the part of the Chinese, and that the information developed made the workshops much more meaningful. The trials were also considered important in that they "opened the door at the Ministry level."

When first asked what the most beneficial part of the OSC program was, the usual answer was "raising awareness." Some indicated that the China National Turfgrass Variety Trial Agreement was the most significant factor in achieving awareness. When asked to specifically rank OSC activities as to whether business, government, or training contacts contributed the most to sales, respondents generally stated first that the OSC program was not for business contacts. While participating in the OSC program they are careful to represent Oregon seed rather than their own companies; thus, the only business that may be initiated is due to the exchange of cards. They believed that those cards might have directed some inquiries to their companies, and that the cards might be passed around the industry.

After explaining the business contact issue, they split on the most important

contacts of the OSC programs. Those that thought government is the ultimate decision-maker in China indicated government contacts. If they did not believe that was the case, they opted for training. However, few were aware if any of their clients had participated in training programs.

Some interviewees believed that only business contacts really matter in selling seed, making non-OSC program activities the only thing that really mattered in their opinion. Some indicated that the training mostly reached university types, and did not connect this with sales. Examination does indicate that many of the Chinese program participants are from universities. Follow-up inquiries with some visitors from Chinese universities brought forth the information that the Chinese researchers were giving additional training programs which the OSC was not directly involved in; thus, there was an unmeasured but relevant multiplier effect from the training programs. This effect is an important point to recognize in terms of the impact of involving Chinese Universities in market development programs. The demand analysis indicated that the training contacts had more than four times the impact of trade servicing contacts on import demand.

Regarding the future of the program some felt that cultivar trials could be cut back in the future, except for trying different varieties of seed for new uses such as for forage grasses. Some indicated that the need for some activities was past in that it was no longer a question of market access. This attitude seems to be related to two things. First is a desire to establish the firm's own brand over that of the competition, instead of working on the generic Oregon seed brand that the program had established. Second is a concern that eventually the competition from other countries will be taking advantage of the development of the Oregon program.

However, it seems apparent that most don't see the program as ultimately responsible for the extreme demand expansion that occurred. One respondent indicated that the programs might have brought the market along faster, but that the market would have been there eventually. In contrast to the economic analysis many felt that government contacts were more important than training contacts. These responses indicate that the industry did not have a general understanding of what the import demand analysis indicated: training was responsible for a large part of the growth in the Chinese market. Certainly, Oregon sellers have captured a much larger portion of the market in China (two-thirds market share) than in other export markets where these programs are not taking place (an average of one-third).

Not Quite Guanxi

A frequently stated aspect of the guanxi philosophy is trust. The American respondents indicated that trust was very important to them in doing business, and that they trusted their long-term Chinese business connections - in particular those

at universities. However, a number believed that the Chinese clients had a different view of what trust embodied. One aspect of trust is how price is dealt with.

The US firms seem to work in terms of offering what they believe is a fair, competitive price that the client accepts or does not. They expect clients will come back to them if they find a more competitive price and ask for another offer. However, they typically found that Chinese buyers would automatically haggle over the price without seeking an offer from another supplier. For one US seller this implies that the Chinese buyer does not trust the US seller, because they do not believe they have been offered a 'fair', competitive price. Some US sellers indicated that they have learned to start with a higher asking price to give them room to work with, accepting the differences in the Chinese attitude.

Some respondents indicated that the difference in philosophy about business dealings led the Chinese to take advantage of any loophole they could use to get a better deal. Like other entrants to the Chinese market, the interviewees have been dismayed by the fact that signed contracts are not considered by the Chinese to be the final terms of sale. When the industry bowed to demands of Chinese clients to remove the requirement of the use of irrevocable letters of credit¹² in transactions, this became a problem. At the time of the survey some Oregon seed companies were still seeking payment for seed delivered in the previous year.

This situation has led to a questioning of trust between trade partners. Some US companies will now only do business with irrevocable letters of credit. One interviewee thought that the Chinese clients were aware of what had occurred and accepted that they would have to use the letters of credit. Other interviewees feel it would be impossible to go back to requiring them. In having this requirement the US companies are acting as they do for all of their newer international customers. Extension of credit terms is common in the industry but only for long-term customers (one indicated 15 years as a reasonably long-term customer). Management studies indicate that a component of *guanxi* trust is the extension of credit, which allows the business partner to succeed.

Overall, the industry felt that the activities of the 1980s had little impact on demand from China at the time. The export data supported this belief with little change in import demand during the 1980s. However, there is a general belief by members of the industry that the links established during the 1980s primed the establishment of greater trade in the 1990s. It would probably be an error to assume that these impacts were cumulative in the strict sense. Other market

¹² Letters of credit are arranged through the buyer's and seller's banks. Buyers dislike Irrevocable Letters of Credit because it is a more costly way of doing business for them, but it is clearly the safest for the sellers. There are some US government guarantees available for overseas sales, which will lessen the cost to buyers through their bank, but for smaller exporters this is a difficult process.

changes in China were also occurring and, once in place, these may have allowed the established connections to succeed.

It is tempting to describe many aspects of the OSC's grass seed market development activities in China as fitting the guanxi model of economic coordination, as well as to associate the Oregon grass seed industry's collective success as due to its guanxi elements. The characteristics of the market development activities that fit guanxi include the fact that their approach was long-term (building the trust of the Chinese associates that the US participants were serious and committed) and personal contact was maintained with many of the principal Chinese participants through the academic connection. Also, the exchange programs with training in the US could be viewed as an exchange of favors with the recipient feeling obliged to select the US product or aid the US in their business dealings. As found by others, the sharing of meals preceded many business discussions. The history of the program does indicate that an important network of connections in academic and bureaucratic circles was developed.

However, it does not appear that a truly guanxi system has evolved. In a true guanxi system one has the assurance that business responsibilities will be fulfilled as guaranteed by personal relationships and enforced by peer pressure within a guanxi network. The business-to-business dealings of the seed firms and Chinese buyers are done on the basis of contracts, though some enforcement problems were noted in the interviews. Some firms have established Chinese offices, choosing a more integrated mode of operation, which is counter to the guanxi model. Where the guanxi model seems to fit best is in the interactions with university and governmental research agencies. These interactions slowly developed personal relationships and appear to have achieved mutual goals. As a result trade occurs smoothly between the US and Chinese parties from these groups. Nevertheless, those elements of this market development program that fit guanxi, can also fit into any activity of sensible long-term business practice, especially when considering transaction cost economics.

China is Different in Product Knowledge

As well as the differences discussed above regarding business dealings, Oregon grass seed companies noted another important difference between their Chinese and other overseas customers. In particular, they found that many of their non-academic buyers didn't know the product. It is extremely rare for their buyers from other countries to make a contact without already knowing which type of seed they wanted to buy; however, this was often the case with Chinese buyers. Sometimes the Chinese buyers had a name brand familiarity with a patented, proprietary seed they wanted, but that seed would only be available from a different company. These interactions certainly support the need for increasing the understanding of potential buyers in the Chinese market. Lack of knowledge on the part of buyers

was a reason some of those surveyed still supported the joint market development programs; though some interviewees indicated that market development work such as seed trials could be taken over by the individual companies.

Conclusions and Recommendations

It is important for policy and strategic reasons to determine whether training and development of relationships with Chinese decision-makers can influence demand for US agricultural products. Given their effectiveness for the Oregon grass seed industry these activities should be encouraged at least in China by the administrators of US market development programs such as the Market Access Program and considered as a strategy by individual companies as well. Although the focus of this paper has been market development activities of the Oregon Seed Council (OSC) in China, several general lessons can be learned.

The success of the market development activities of the OSC in China indicate that training and research involvement in China improves access for US industries associated with agricultural input goods. While the importance of the person-to-person aspect of *guanxi* appears to be declining in China¹³, the more general aspects, which can readily be interpreted through the economic frameworks of transaction cost and value added, still seem to be applicable. The technical assistance and trade servicing conducted by OSC have allowed them to build a network of relationships with grass seed buyers in China, particularly within government agencies and universities. Both the quantitative analysis conducted by Vega-H and Durham and the interview results reported here indicate that this effort has resulted in measurable quantitative and qualitative success for the Oregon grass seed industry. Inferences can be drawn from these findings about US and OSC policy on market development in China, as well as firm level strategy.

When conducting international business, it is critical to be inline with the market infrastructure and cultural paradigms of countries who are importing your product. That is what the OSC market development activities and US Market Access Program (US-MAP) allows with respect to the Chinese grass seed market: activities aligned with the needs of the clientele and business practices. The market development activities supported by US-MAP and conducted by OSC provided the opportunity to develop personal connections between Chinese buyers and US sellers, to provide evidence of long-term commitment on the part of Oregon seed companies, and to develop a sense of mutual benefit between parties. This supports the argument for continuation of the MAP program by the US government to help open other Chinese markets, as well as the continuation of OSC market development activities.

¹³ There are indications that *guanxi* practice is declining in importance in China. Some recent works noting this are Guthrie (1998) and Sternquist, Chen and Wang (2002).

However, there is some concern by Oregon grass seed companies about the future direction OSC should take in their market development activities. Survey respondents do not indicate a strong belief that training programs are very beneficial, not seeing direct returns to total sales. This is in contrast to the findings of Vega-H and Durham (2003), who found that technical assistance contacts had a large impact on demand, with a larger effect than trade servicing contacts. Therefore with respect to the first objective of the survey we found that industry perceptions did not match the results found by Vega-H and Durham, and that the industry did not fully recognize the importance of training in increasing demand. Though the impact of such programs could be expected to diminish over time, it would be considered an error if the OSC members limit or eliminate the technical service aspect of future market development activities without consideration of the impacts. In fact, it would be advisable for OSC to consider maintaining or even increasing their technical assistance programs. The same approach should be considered by other agricultural input industries trying to develop a China market. Another collective conclusion is that individuals in industries participating in the USDA-MAP programs need to be educated and informed about the impact of the program so political support won't wane.

Though the market development activities of the OSC have provided an opportunity for Oregon grass seed companies to develop relationships with Chinese buyers, it remains the ultimate responsibility of the Oregon firm to make the most of the opportunity. This fortunately has been the case in the past as evident by the increased sales that Oregon firms have made, and also by their increased activity to meet the market demand in China. Some firms have committed to developing offices in China in order to enhance their presence and hopefully further develop their business relationships. One company has developed an in-country distribution system so that Chinese buyers can purchase smaller units of seed. Both of these examples are indications of increased business presence and commitment to developing relationships.

Admittedly, this study captures only the American firms' point of view. The reasons for the popularity of Oregon as a source for seed by the Chinese are not completely understood. Chinese University program participants and collaborators indicate that Oregon seed is very high quality, and they have learned this through the seed trials, training programs, and the publicity surrounding them. However, it is not known whether they feel more comfortable in dealing with US companies because of this exposure.

Generalized Lessons

The lessons to be learned from this two-decade effort to open a new market include the benefits of developing long-term relationships and trust. There are several ways to go about the development of these relationships; the main observation from the OSC experience is long-term commitment to the market and the players in the

market. This commitment arguably develops a sense of trust between market participants. The second lesson is the value of training. In an emerging market, it is imperative to educate the potential buyers of your agricultural input on how to best put it to use; these efforts also aid in the development of good relationships.

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