

Lesson 2

Nebraska's Role in U.S. Exports



OVERVIEW: Nebraska, like other states, is always looking for ways to increase its wealth. One way to expand Nebraska markets is to increase the number of products exported by Nebraska businesses. This activity will look at what role Nebraska plays in international trade. Students will also find out what types of businesses are engaged in exporting, what kinds of products are shipped overseas, and to what countries.

ECONOMIC CONCEPTS: The students will learn about:

1. international trade

OBJECTIVES: The students will be able to:

1. describe how exporting can add to the state's economy.
2. describe the many assets Nebraska has to compete internationally.
3. identify export countries involved in trade with Nebraska businesses.
4. list the major products exported by Nebraska firms.

NEBRASKA STANDARDS:

8.3.7, 8.3.10, 12.4.16, 12.4.17, 12.4.18, and 12.4.22

MATERIALS:

1. Nebraska Assets Student Handout
2. Nebraska's Top Export Countries Student Handout and Graph
3. Nebraska's Top Exports by Industry Student Handout and Graph
4. Nebraska Export Facts
5. U.S. Export Facts

PROCEDURE:

1. Preview the topic of Nebraska's Top Exports by Industry and Country. Have students review the Nebraska Assets handout. Ask students the following questions:
 - What role do exports play in promoting economic development in Nebraska?

- Give an example of how an international firm could benefit by setting up a food processing plant in Nebraska.
- How have technological advances in transportation resulted in Nebraska having an advantage in terms of its location?
- Is Nebraska able to compete with the rest of the world in terms of labor-intensive industries?
- In what areas does Nebraska possess an advantage in terms of attracting business investment? (Example: land-intensive production and specialized machinery.)

Looking at the Nebraska Assets Handout, have students list the types of products exported by Nebraska firms. Students should note the number of firms involved in exporting machinery versus agriculture.

2. Ask students if they know the top three nations that trade with Nebraska and what industry do we export the most products. List their responses on the chalkboard or overhead. Distribute the handouts entitled, Nebraska's Top Exports by Industry and Nebraska's Top Export Countries. Discuss the following questions:
 - What countries does Nebraska trade with the most? (Nebraska's top trading partners are Japan, Canada and Mexico.)
 - How does the list compare with your responses on the board? (Answers will vary.)
 - The Governor recently traveled to China and Australia on trade missions. Where do these two countries appear on the list? (In the top ten.)
 - What is the number one industry exported by Nebraska? (Food and Kindred Products.)
 - How does the Nebraska export industry list compare with the class responses? (Answers will vary.)
3. Discuss the role of exports, both for the United States and Nebraska, using the U.S. Export Facts and Nebraska Exports Facts information. This information can be overviewed either as a handout or by using them as overheads. Ask students the following questions as part of the discussion:
 - What percentage do exports represent out of all goods and services produced in the United States? (Approximately 11% of GDP)

- Who are the major trading partners of the United States? How do they compare with Nebraska's top trading partners?
 - How many countries does the United States trade with? How many countries does Nebraska trade with?
4. Discuss the fact that the average exporters in Nebraska are small businesses that usually do not have the resources to locate and expand into new international markets without some form of state or federal aid. As a means for discussion or guest speaker, have students talk to a Nebraska exporter to discuss this situation. What role should the state and/or federal government should play to assist them in promoting Nebraska exports? What programs already exist?

Source: <http://info.neded.org/tourfact.htm>



Nebraska Assets

OVERVIEW: In order to understand economic development in Nebraska, we must look at all Nebraska assets.

- **Business Climate** - Nebraska offers many ingredients that contribute directly to a company's profitability: good people in a great place with fair prices!
- **Diversity** - While Nebraska is known as the "Cornhusker State", it in fact contributes many other goods and services. The largest category of Nebraska exports is food and kindred products (44% of all state exports). The second largest category is electronic equipment (8.7%), followed by industrial machinery (8.6%), and finally, crops (8.4%).
- **Markets** - Nebraska is located in the heart of the United States. This is an advantage to companies that serve regional, national, and international markets. Nebraska's centralized location means minimized delivery times and costs.
- **Transportation** - Nebraska has many means by which to transport people and products. Interstate highways, railroads, and a growing air transport network allows for rapid access transportation to major markets in all directions.
- **Education** - Nebraska has a reputation for having better educated people than the national average.
- **Tax Incentives** - Nebraska's progressive tax incentive encourages companies to invest in Nebraska. Qualifying companies can earn a "tax holiday" from state corporate income taxes for up to 15 years. Also, there are no state property taxes and no sales tax on energy used in manufacturing.
- **Labor and Productivity** - While Nebraska's labor costs remain fairly low, the productivity rates are near the top in the nation. Nebraskans continue to believe in the maxim about an "honest day's work for an honest day's pay."
- **Utilities** - Nebraska is able to provide many natural resources such as natural gas, electricity, and water at lower costs than many other areas of the country.
- **Quality of Life** - Nebraska offers many benefits to its residents: clean air, a moderate climate, spectator sports, cultural events, and a low crime rate.

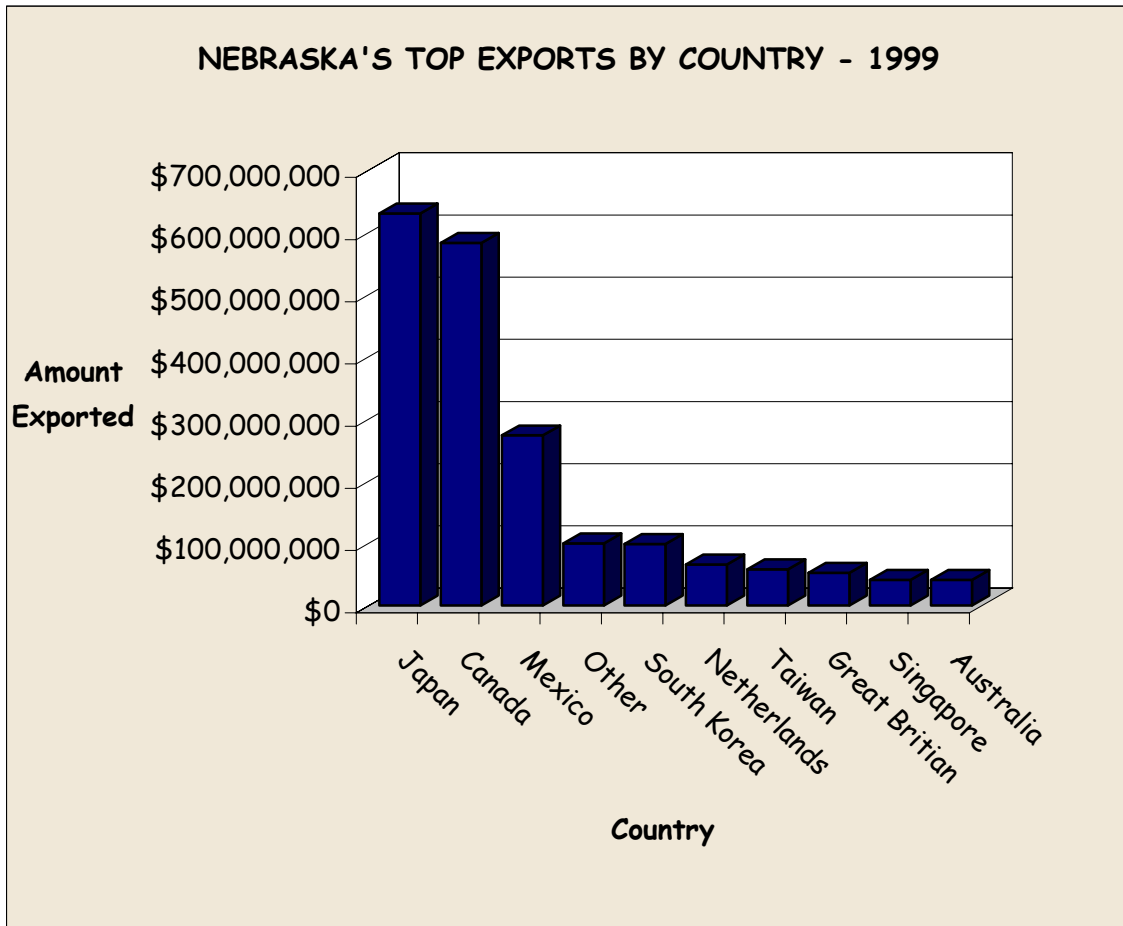
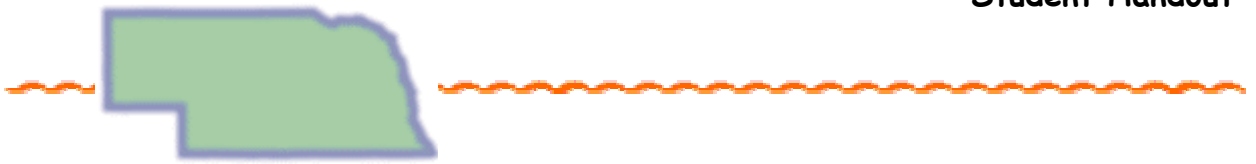
Source: Nebraska Department of Economic Development, Office of International Trade and Investment - P.O. Box 94666, Lincoln, NE <http://international.ded.state.ne.us/whyNE.html>



NEBRASKA'S TOP EXPORT COUNTRIES - 1999

Source: <http://international.ded.state.ne.us/tr-home.htm>

<u>Country</u>	<u>Amount Exported</u>	<u>Percentage</u>
Argentina	\$11,720,680	0.51%
Australia	\$40,965,474	1.79%
Belgium	\$23,499,122	1.03%
Brazil	\$25,096,524	1.09%
Canada	\$582,976,068	25.43%
China	\$26,843,606	1.17%
Dominican Republic	\$14,498,928	0.63%
Egypt	\$15,896,345	0.69%
France	\$30,868,129	1.35%
Germany	\$29,793,498	1.30%
Great Britain	\$52,159,884	2.28%
Hong Kong	\$32,296,816	1.41%
India	\$9,479,197	0.41%
Indonesia	\$24,829,616	1.08%
Ireland	\$25,265,690	1.10%
Israel	\$10,657,261	0.46%
Italy	\$16,240,551	0.71%
Japan	\$629,981,508	27.48%
Mexico	\$273,320,514	11.92%
Netherlands	\$65,913,227	2.88%
Saudi Arabia	\$24,661,316	1.08%
Singapore	\$41,190,776	1.80%
South Korea	\$98,711,232	4.31%
Spain	\$15,187,285	0.66%
Taiwan	\$57,916,626	2.53%
Thailand	\$12,736,426	0.56%
Other	\$99,690,921	4.35%
Total	\$2,292,397,220	100%



Source: <http://international.ded.state.ne.us/tr-home.htm>



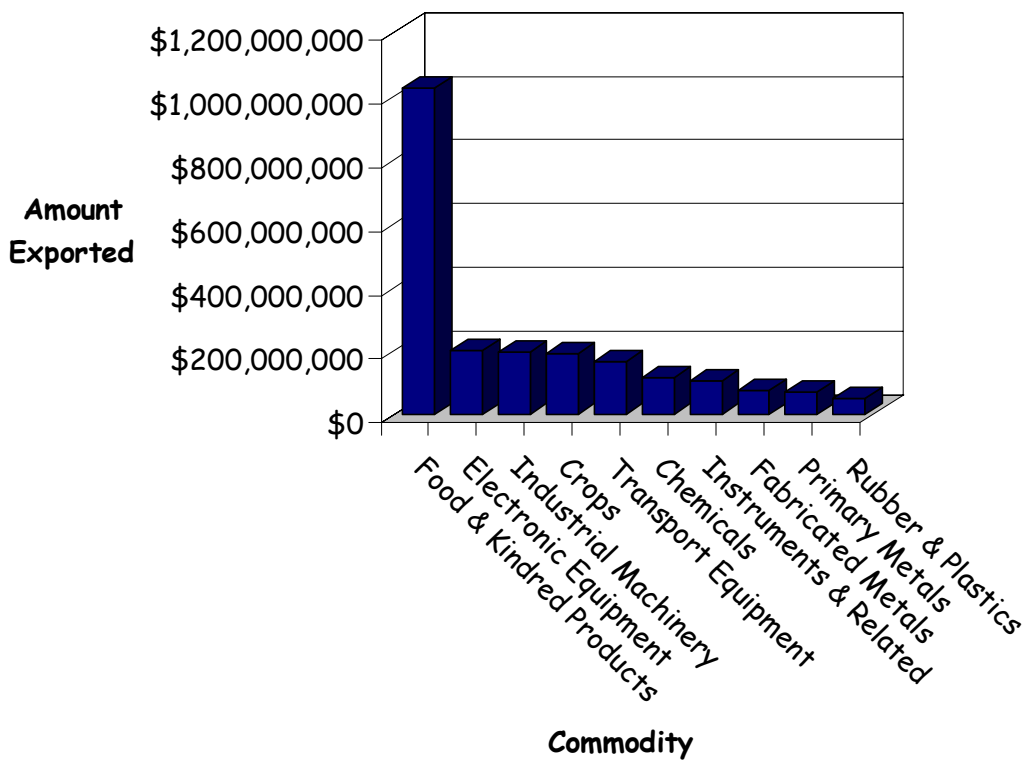
NEBRASKA'S EXPORTS BY INDUSTRY - 1999

Source: <http://international.ded.state.ne.us/tr-home.htm>

<u>Commodity</u>	<u>Amount Exported</u>	<u>Percentage</u>
Apparel	\$9,903,457	0.43%
Charity, Returned Goods, Other	\$10,517,791	0.45%
Chemicals	\$116,269,227	5.00%
Crops	\$193,054,359	8.31%
Electronic Equipment	\$201,168,249	8.66%
Fabricated Metals	\$77,350,597	3.33%
Fishing & Hunting	\$9,345,507	0.40%
Food & Kindred Products	\$1,022,888,817	44.02%
Furniture & Fixtures	\$8,239,572	0.35%
Industrial Machinery	\$198,948,989	8.56%
Instruments & Related	\$106,886,695	4.60%
Leather Products	\$35,791,018	1.54%
Livestock	\$875,278	0.04%
Lumber	\$5,350,702	0.23%
Misc Manufacturing	\$6,323,729	0.27%
Nonmetallic Minerals	\$241,610	0.01%
Oil Extract	\$45,698	0.00%
Paper & Allies Products	\$6,846,804	0.29%
Petroleum	\$394,356	0.02%
Primary Metals	\$70,066,069	3.01%
Printing & Publishing	\$11,136,382	0.48%
Rubber & Plastics	\$52,810,916	2.27%
Scrap & Waste	\$2,899,304	0.12%
Stone, Clay & Glass	\$3,274,488	0.14%
Textile Mill Products	\$2,885,118	0.12%
Transport Equipment	\$165,692,937	7.13%
Used or Secondhand Goods	\$4,735,226	0.20%
Total	\$2,323,942,895	100.00%



NEBRASKA'S TOP EXPORTS BY INDUSTRY - 1999



Source: <http://international.ded.state.ne.us/tr-home.htm>



Nebraska Export Facts

- Nebraska exports totaled over \$2.2 billion in 1998, or 0.5% more than in 1997. 1998 exports represent a 42.1% increase since 1993.
- The largest category of Nebraska exports is Food and Kindred Products, which totaled almost \$900 million and represented 40.2% of all exports in 1998. However, Food and Kindred Product exports actually declined 7.4% in 1998.
- The second largest category of Nebraska 1998 exports is Industrial Machinery at \$251.5 million, or 11.3% of total exports. Industrial Machinery exports decreased 15% between 1997 and 1998.
- The third largest category of Nebraska 1998 exports is Crops at \$209.8 million, or 9.4% of total exports. Crops exports increased 12.7% between 1997 and 1998.
- Nebraska exporters sell to almost 140 countries worldwide each year, but the top 50 countries typically account for 98% of all exports.
- The top three markets for Nebraska exports in 1998 were Canada (27.1%), Japan (25.2%), and Mexico (11.7%). These are also the top three markets for total U.S. exports.
- Nebraska exports to Japan declined 5.6% between 1997 and 1998, reaching \$559.5 million. 1998 exports represent a 68.1% increase over 1993.
- Nebraska exports to Canada increased 1.2% between 1997 and 1998, reaching \$600.6 million. 1998 exports represent a 68.1% increase over 1993.
- Nebraska exports to Mexico increased 25.6% between 1997 and 1998, reaching \$259.5 million.

Source: <http://international.ded.state.ne.us/tr-home/htm>



U.S. Export Facts

- In 1998, U.S. exports of goods and services totaled \$931.3 billion, which represented 10.9% of total gross domestic products (\$8,510.7 billion).
- In 1998, U.S. exports of goods totaled \$971.1 billion and exports of services totaled \$260.3 billion.
- In 1998, Canada was the leading market for U.S. goods exports (with \$154.2 billion in export sales), followed by Mexico (\$79.0 billion) and Japan (\$57.9 billion). Together, these three countries accounted for 43.4% of U.S. goods exports.
- In 1992, 122,854 U.S. companies reported exporting merchandise to 226 countries. Those companies represented 6% of all manufacturers, 5% of all wholesalers, and less than 1% of all other companies.
- Companies with 500 or more employees accounted for only 4% of all exporters (but accounted for 71% of export value). Companies with less than 20 employees accounted for 59% of all exporters (but for only 11% of export value).
- Over 91% of all exporting companies exported to fewer than ten countries. About 90% of all exporting companies exported to one of the U.S.'s top 25 export countries.
- In 1994, the number of U.S. jobs supported by exports totaled 10.3 million. Goods exports supported 6.8 million jobs and service exports supported 3.5 million jobs. So, one out of every ten jobs in the U.S. business sector is supported by goods and services exports. One out of every five jobs in manufacturing depends on exports and one out of every fourteen jobs in the services industries.



(U.S. Export Facts, continued)

- Between 1986 and 1994, exports contributed 32% of the increase in total employment.
- The productivity of workers in jobs supported by goods and services exports was 13% higher than the national average. Over the period 1986 to 1994, their productivity grew three times faster than the national average.
- The wages of production workers in jobs supported by goods exports were 13% higher than the national average. The wages of workers directly supported by goods exports were 20% higher.
- U.S. high-technology industry exports supported 2.0 million jobs directly and indirectly in 1994.
- The number of jobs supported by goods exports to Canada and Mexico totaled 2.2 million in 1994, double the number in 1986.

Source: <http://international.ded.state.ne.us/tr-home.htm>

