

Supplement A: International Trade Data Issues

With the increasingly global nature of economic activity, it is important to identify the scope of economic ties between Kansas and international markets, which represent substantial growth opportunities for the state's businesses. Issues arise, however, when efforts are made to gauge the relative size of Kansas' exports. The methods used to ascribe U.S. exports to a particular state are likely to result in an undercount of some Kansas-produced goods, especially agricultural crops. There are two data series, Origin of Movement (OM), and Exporter Location (EL), both based on data from the U.S. Census Bureau, which show how state-level exports are performing. In Kansas, the Policy Research Institute at the University of Kansas uses the OM series in its Kansas Statistical Abstract publication, while the KDOC&H Trade Development Division uses the EL series as the foundation of its "State of Kansas Export Statistics" publication. Due to the manner in which each is tabulated, however, neither export data series likely captures the extent to which Kansas goods are shipped overseas. Since both series tend to undercount Kansas exports, and, as described below, each has its own strengths and weaknesses, both series are presented in this report.

The source of the data for both series (from which the Census Bureau calculates state-level exports) is a Shipper's Export Declaration (SED) form, which must be filled out for all merchandise shipments leaving the United States. The Origin of Movement data is tabulated from a question on the SED form that requires the shipper to identify from which state the merchandise shipment physically arrived before processing at a U.S. port of export. The issue with this series of export data is that it tends to inflate the exports of border and coastal states (e.g., Vermont, Texas, and Louisiana). Basically, if a Kansas item is stored in a border state before export (e.g., Texas), it is possible that Texas will be counted as the state from which the item's export journey started, and hence will be represented as an export from Texas, even if the item was produced in Kansas. Agricultural crops (e.g., grains grown in Kansas) are frequently stored in grain elevators close to a deep-water port before being exported. The largest port facilities in the country are located in Louisiana, which had agricultural crop exports of \$7.9 billion in 1999, compared with only \$196 million for Kansas, according to the OM series export data. Despite problems such as this, an advantage to the OM series is that at least some level of value-added activity (whether it was production or warehousing/distribution) had to occur in the state to which the exports are attributed.

The Exporter Location data, available on the U.S. Department of Commerce website, differs significantly from the OM series in that export tabulations are based on the zip code of the person completing the Shipper's Export Declaration form. Despite its name, this series may not necessarily reflect the actual origin of the goods being exported, as the exporter is the entity completing the SED form, which may or may not be located in the state where the merchandise was produced, stored, or shipped. The Exporter Location

data tends to favor states with concentrations of corporate headquarters facilities (e.g., Connecticut and Delaware). For example, paperwork for General Electric exports may indicate its Connecticut headquarters address—thus be counted as a Connecticut export—even if the good was produced and warehoused in Kansas and shipped to Japan from California. A disadvantage of the EL series is that a state, such as Connecticut in this example, may be ascribed exports that were never within the physical confines of the state (production, warehousing, and shipping could all have taken place in another state). As the OM series seriously undercounts Kansas' agricultural crop exports, the EL series underestimates the state's aerospace-related shipments indicating 1999 exports (in the transportation equipment industry) that were only three-fifths (\$1.3 billion versus \$2.2 billion) as large as those using the OM series. This may be a result of Kansas having few headquarters operations for its aerospace manufacturers. For these reasons, although its limitations are evident, especially in inland states such as Kansas, the Origin of Movement export series is generally considered a more accurate measure of state-level exports than the Exporter Location series.