

(Base) Agency: DATCP - Export Marketing

Recommendations:

Paper No. 213: Alternative 3

Comments: DATCP's export marketing program seems pretty lame overall. Penny-ante at best. Personally, I would favor shutting the whole thing down and making them come back with a comprehensive proposal to beef up ag exports, coordinate efforts with Commerce and the feds, and get the big agri-business companies more involved. The current program seems sort of haphazard and is having minimal impact.

But, if that doesn't happen, Alternative 3 seems reasonable. It doesn't throw as much GPR at DATCP - as a subsidy for ag businesses - and makes them get more from the companies that benefit and account for the federal money.

prepared by: Barry

2729

Parker - 1



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 4, 1999

Joint Committee on Finance

Paper #213

Export Marketing (DATCP)

[LFB 1999-01 Budget Summary: Page 97, #10]

CURRENT LAW

DATCP has 5.0 export consultants and a program assistant in the international agribusiness marketing center performing export sales, promotion and outreach activities for agricultural products. In addition, the DATCP Bureau of Agricultural Development and Promotion has an agricultural development and diversification section and commodity and product promotion section, which includes the Alice in Dairyland and "Something Special from Wisconsin" promotion, that also assist with the marketing of Wisconsin agricultural products domestically and abroad.

GOVERNOR

Provide \$300,000 GPR and 2.0 export consultant positions and \$25,000 PR each year to restructure and expand the Marketing Division's export promotion program. Program revenue is provided from industry contributions. Of the amounts appropriated, \$507,600 in the biennium would be used for supplies and services.

DISCUSSION POINTS

1. According to DATCP, in 1997, Wisconsin agricultural exports contributed more than \$1.9 billion and approximately 33,000 jobs to the state's economy. For example, the Department estimates Wisconsin shipped \$40 million in grain, livestock and food products to Mexico, including nearly \$10 million in heifers and \$4.7 million in genetics.

Export Promotion

2. DATCP is required to operate an international agribusiness marketing center to

promote the foreign export of Wisconsin's agricultural and agribusiness products by (a) assisting with market research and planning to identify international marketing opportunities for the state's products and firms; (b) providing technical assistance on international marketing to individual businesses; (c) organizing and participating in trade shows and trade missions to foreign markets; (d) coordinating federal, regional, state and local marketing information which may lead to export opportunities; (e) assisting persons considering direct investments, joint ventures, licensing or other business arrangements for the production of agribusiness products in this state; and (f) cooperating with the Department of Commerce in promoting the products through foreign trade offices. The international agribusiness center has been administered by DATCP since 1985.

3. Commerce maintains a trade office presence in twelve countries. Commerce also has international outreach consultants based in Waukesha, Oshkosh, Eau Claire and Madison to assist firms in expanding export efforts. Commerce and DATCP entered into an MOU in 1996 establishing a framework for coordination of international export marketing and development activities. The MOU outlines which agency will take the lead responsibility for export-related activities and export promotion of specific products. In addition, each agency assures the other that it will refer those desiring assistance to the proper agency. DATCP is also provided access to international trade offices and personnel, for a fee to cover the costs of services provided.

4. The international agribusiness center currently has two staff focused on specific products and three staff focused on exporting to specific regions of the world. The Department proposes reorganizing the center and adding an outreach specialist and a promotion specialist. The five remaining staff would be organized by dairy (one staff), processed foods (two staff) and meat and livestock (two staff) product areas. The outreach specialist would enlist more agribusinesses in exporting and provide agribusinesses with assistance expanding exports. The promotion specialist would focus on advertising, media, trade shows and general export promotion coordination and activities. DATCP envisions the outreach and program specialists would also work with existing marketing program areas such as Alice in Dairyland and "Something Special from Wisconsin."

5. DATCP believes the bill would assist in doubling Wisconsin agribusiness exports by 2002 through:

a. Enhancing the Department's export sales focus and strengthening export promotional activities and programs;

b. Improving export education efforts and increasing the number of Wisconsin agribusinesses that export;

c. Expanding price reporting for international markets and establishing reliable export data and tracking of results; and

d. Bringing more foreign buyers to Wisconsin.

6. DATCP attempts to track results of export promotion activities by surveying agribusinesses one month and 12 months after each agency activity. In surveys returned to DATCP,

agribusinesses credited \$5.5 million in sales and 18 created jobs to DATCP 1996-97 activities, with most results coming from contacts and contracts from international trade shows. However, some of these businesses may have attended the trade shows and made contacts without DATCP assistance or coordination. Companies have also reported \$1.3 million of sales in the 1997-99 biennium thus far from reverse buyer missions (bringing potential buyers to Wisconsin).

7. DATCP estimates it currently participates in 39 outreach activities to promote exporting per year. These include conferences, seminars, and industry and trade association meetings. Through these activities, the Department estimates reaching 1,000 companies annually. In addition, the Department distributes 5,000 directories of agribusiness suppliers in the state. The agency projects it would conduct a total of 50 outreach activities per year with the additional outreach coordinator position in the bill.

Funding

8. In 1997-98, DATCP estimates it spent \$450,000 GPR for international marketing, including \$358,700 for staff and \$91,300 for export promotion activities. In addition, the Department receives a total of approximately \$210,000 annually from the U.S. Livestock Genetics Export, Inc. (USLGE) to carry out livestock genetic promotions, the Mid-America International Agri-Trade Council (MIATCO) for assisting exporting companies and conducting local and regional trade shows and trade missions and the U.S. Dairy Export Council (USDEC) for dairy export assistance. The Department has applied for an additional \$130,000 annually in federal funding. DATCP could use the additional \$130,000 annually instead of requesting new GPR. Under this alternative, if DATCP does not receive the federal funding, the Department could request funds under the s. 13.10 process. The Department also estimates receiving \$70,000 annually from industry contributions.

9. Although some marketing activities are export specific, much of the general product promotion activities of DATCP contribute to exporting as well. Thus, the agency's export promotion activities and export marketing budget go beyond those of the international agribusiness center.

10. DATCP plans to use the \$600,000 GPR in the biennium as follows: (a) \$143,000 for the salary and fringe benefits of 2.0 export consultants; (b) \$140,000 for eight reverse buyer missions; (c) \$100,000 to augment current federal and private industry funding for developing a Wisconsin area at, and recruiting companies to participate in, six international trade shows; (d) \$96,000 for producing multilingual trade brochures and a trade show booth exhibit; (e) \$30,000 for coordinating a Wisconsin area at four national trade shows that attract international customers; (f) \$25,000 for creating "how to" guides for agribusinesses to initiate or expand export activities; (g) \$21,000 to purchase trade data and international marketing software; (h) \$20,000 to increase and enhance Wisconsin space and presence at the World Dairy Expo; (i) \$16,000 to gather price information and create promotions at Commerce-run overseas trade offices; and (j) \$9,000 to upgrade in size and scope current directories of Wisconsin agricultural suppliers.

11. The agency would solicit additional industry contributions to upgrade directories of

Wisconsin agribusiness suppliers by selling advertising for the directory. These estimated \$25,000 annual revenues would be deposited to a continuing PR appropriation for this purpose. DATCP is currently soliciting industry contributions in a similar manner to offset GPR costs for the same directory.

12. The Division of International and Export Development in the Department of Commerce is authorized to charge fees for services that are provided. Commerce collected \$9,250 from these fees in 1997-98. DATCP also has authority to charge a fee for marketing services that are provided. The Department annually collects approximately \$70,000 from the industry for export marketing services. These fees are collected from charging companies to advertise or be included in export directories and from reimbursements for promotion space at trade shows. This is in addition to the \$25,000 DATCP plans to collect annually for the directory of Wisconsin agricultural suppliers.

13. It could be argued that expanding agribusiness export promotion activities is most beneficial to agribusinesses, and thus, they should contribute more for export assistance. Further, if agribusinesses desire DATCP assistance, they may also be willing to pay for the service they receive. Since DATCP already has the authority to collect fees for a wide variety of services, the Committee could raise PR expenditure authority and the Department could charge those receiving assistance for all or a portion of the cost of services provided. For example, providing \$200,000 GPR and \$125,000 PR annually would require fees and contributions to comprise 38% of increased export funding.

14. However, since agribusinesses contribute to the state's overall economy in tax revenues and employment, others would argue that providing additional export assistance through GPR funding is appropriate. Further, it could be maintained that strong exporting and export assistance programs may draw more agribusinesses to the state and keep current Wisconsin agribusinesses in the state. In addition, providing services for a fee may lower the participation of some agribusinesses, especially smaller businesses exploring potential export opportunities.

ALTERNATIVES TO BASE

1. Approve the Governor's request to provide \$300,000 GPR and 2.0 export consultant positions and \$25,000 PR each year to expand the marketing division's export promotion program.

<u>Alternative 1</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
1999-01 FUNDING (Change to Base)	\$600,000	\$50,000	\$650,000
[Change to Bill]	0	0	0]
2000-01 POSITIONS (Change to Base)	2.00		2.00
[Change to Bill]	0.00		0.00]

2. Modify the Governor's request to provide \$200,000 GPR and 2.0 export consultant positions and \$125,000 PR each year to expand the marketing division's export promotion program.

(Revenues would be raised through donations and fees for services provided.)

<u>Alternative 2</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
1999-01 FUNDING (Change to Base)	\$400,000	\$250,000	\$650,000
<i>[Change to Bill]</i>	<i>-\$200,000</i>	<i>\$200,000</i>	<i>0]</i>
2000-01 POSITIONS (Change to Base)	2.00		2.00
<i>[Change to Bill]</i>	<i>0.00</i>		<i>0.00]</i>

3. Modify the Governor's request to provide \$170,000 GPR and 2.0 export consultant positions and \$155,000 PR each year to expand the marketing division's export promotion program. (\$130,000 in annual revenues would be provided from federal dollars, with \$25,000 annual revenues from industry contributions.)

<u>Alternative 3</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
1999-01 FUNDING (Change to Base)	\$340,000	\$310,000	\$650,000
<i>[Change to Bill]</i>	<i>-\$260,000</i>	<i>\$260,000</i>	<i>0]</i>
2000-01 POSITIONS (Change to Base)	2.00		2.00
<i>[Change to Bill]</i>	<i>0.00</i>		<i>0.00]</i>

4. Approve one or more of the following:
- a. \$143,000 for the salary and fringe benefits of 2.0 export consultants;
 - b. \$140,000 for eight reverse buyer missions;
 - c. \$100,000 to augment current federal and private industry funding for developing a Wisconsin area at, and recruiting companies to participate in, six international trade shows;
 - d. \$96,000 for producing multilingual trade brochures and a trade show booth exhibit;
 - e. \$30,000 for coordinating a Wisconsin area at four national trade shows that attract international customers;
 - f. \$25,000 for creating "how to" guides for agribusinesses to initiate or expand export activities;
 - g. \$21,000 to purchase trade data and international marketing software;
 - h. \$20,000 to increase and enhance Wisconsin space and presence at the World Dairy Expo;
 - i. \$16,000 to gather price information and create promotions at Commerce-run overseas trade offices; and
 - j. \$9,000 to upgrade in size and scope current directories of Wisconsin agricultural suppliers.

5. Maintain current law.

<u>Alternative 5</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
1999-01 FUNDING (Change to Base)	\$0	\$0	\$0
[Change to Bill]	-\$600,000	-\$50,000	-\$650,000]
2000-01 POSITIONS (Change to Base)	0.00		0.00
[Change to Bill]	-2.00		-2.00]

Prepared by: David Schug

MO# Alt. 1

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 7 NO 9 ABS _____

MO# Alt. 3

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 8 NO 8 ABS _____

AGRICULTURE, TRADE AND CONSUMER PROTECTION

Export Marketing
[Paper #213]

Motion:

Move to provide \$300,000 GPR annually for the Department's export production program. Direct the Department to seek at least \$130,000 FED annually for this program and require that one dollar of GPR lapse to the general fund for each dollar of federal monies received for the program.

MO#			
BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 15 NO 1 ABS _____