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Joint Committee on Finance

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Wisconsin Agricultural Exports Promotion (Agriculture, Trade and Consumer Protection -- Agricultural Assistance)

[LFB 2023-25 Budget Summary: Page 63, #3]

CURRENT LAW

The International Agribusiness Center (IAC), housed in the Division of Agricultural Development in the Department of Agriculture, Trade and Consumer Protection (DATCP), provides technical expertise, market research, and market development initiatives to establish trade-enhancing partnerships and increase Wisconsin's agricultural exports. IAC cultivates relationships with international buyers through attendance at international trade shows, and by conducting international trade missions and inbound reverse buyer missions. Wisconsin Economic Development Corporation (WEDC) promotion activities focus primarily on outbound trade missions. Both DATCP and WEDC conduct promotional campaigns to recruit companies and broaden access to export program offerings.

2021 Wisconsin Act 92 established the Wisconsin Initiative for Agricultural Exports (WIAE) administered by DATCP within the IAC and in cooperation with WEDC. 2021 Act 92 requires DATCP, in collaboration with WEDC, to seek to increase Wisconsin agricultural exports to 25% more than their December 31, 2021, amount by June 30, 2026, for the following: (a) milk and dairy products; (b) meat, poultry, and fish products; and (c) crops and crop products. Of the amounts appropriated for the program, \$2,500,000 (50%) must be expended for milk and dairy products, \$1,250,000 (25%) must be expended for meat, poultry, and fish products, and \$1,250,000 (25%) must be expended for crops and crop products.

2021 Wisconsin Act 58, the biennial budget act, created a GPR continuing appropriation to DATCP, and set aside \$558,400 GPR each year of the 2021-23 biennium in the Committee's supplemental appropriation to support the program. On December 31, 2021, DATCP and WEDC submitted a plan to the Legislature under requirements of Act 92 for achieving the proposed export

goals by June 30, 2026. In February, 2022, the Joint Committee on Finance transferred \$558,400 GPR from its supplemental appropriation to the agricultural exports appropriation under s. 20.115 (3) (b) of the statutes to fund the 2021-22 WIAE work plan and begin implementation. In August, 2022, the Committee approved a second release of funding in the same amount.

In addition, DATCP previously had a rural development loan program fund appropriation was federally funded and created to fund rural economic and dairy business development in Wisconsin. A loan had not been issued since 2014 due to a lack of federal funding, but the appropriation continued to collect repayments on outstanding loans as program revenue (PR). All outstanding loans were paid off on March 1, 2021. 2021 Wisconsin Act 207 provided DATCP the ability to use the rural development PR for the purposes of promoting dairy exports in conjunction with funding for 2021 Act 92. The appropriation had an available balance of \$883,200 when the act passed, of which \$77,100 remains following WIAE allocations for fiscal years 2022 and 2023.

DATCP holds meetings semiannually for the Wisconsin Agricultural Export Advisory Council, which consists of international trade experts, state legislators, and agriculture organizations and agribusiness representing crop, dairy, and meat products. The Council was created to help guide activities of WIAE. The meetings intend to provide a platform for industry representatives to discuss future opportunities for collaboration across product sectors and the future of WIAE.

DISCUSSION POINTS

1. Following releases of export expansion funding in February and August, 2022, DATCP allocated a majority of funding to export expansion grants cycles for 2022 and 2023. The Department also made available International Market Access grants (IMAG) and ExporTech scholarships, and scheduled and participated in multiple trade shows, buyer missions, and other promotion activities.

2. The export expansion grant program supports grants to Wisconsin-based nonprofit organizations that support agribusiness companies, or higher education institutions. Funding seeks to build industry export capacity, support new-to-export agribusinesses, develop export-ready products, and promote Wisconsin products in foreign markets. DATCP awards applicants up to \$50,000, and matching funds are required at 20% of the grant. The total amount awarded for export expansion grants thus far is \$1,248,300, comprising \$564,600 in 2022 and \$683,700 in 2023. (Several of the dairy-related projects each year were funded by rural development PR, accounting for \$761,100 of the total.) Grants were oversubscribed in 2022, but in 2023 DATCP fulfilled all requests in their entirety.

3. WIAE funding also supports IMAG, administered by WEDC, to provide funding to support a company's export development and deployment strategy. Eligible expenses under IMAG include marketing and promotion, consulting services, export education, and language and cultural competency training. Recipients are established agribusinesses that are new to exporting or expanding into new markets, operating in Wisconsin, and manufacturing, processing, assembling, or distributing a product that has the potential to be exported. \$40,000 was awarded for IMAG in 2022 and \$110,000 will be awarded in 2023.

4. Funding also supports the ExporTech scholarship program. The ExporTech scholarship program supports scholarships for agribusiness-focused participants to learn export processes and best practices, and develop a customized export growth plan. ExporTech is a 12-week course operated cooperatively by the Wisconsin Manufacturing Extension Partnership and UW-Stout's Manufacturing Outreach Center. Each ExporTech session can accommodate up to 10 companies and there are approximately four sessions per year. There was one ExporTech scholarship recipient in 2022, which DATCP attributes to a limited number of available ExporTech sessions held from March to June, 2022. DATCP anticipates two companies using the scholarships each year going forward.

5. Along with grants and scholarships, WIAE funding has been used for various trade promotion activities. DATCP reports 20 Wisconsin companies participated in such trade promotion activities as outbound trade missions, trade shows, inbound buyer missions, and social media campaigns in 2022.

6. Table 1 summarizes the funding allocations for WIAE in the 2021-23 biennium. Figures for 2021-22 represent actual expenditures, while 2022-23 figures are year-to-date allocations. DATCP estimates 239 companies will be impacted by trade promotion activities, scholarships, and grant awards in 2022-23. As reported by the Wisconsin Agricultural Export Advisory Council, 52% of expenditures in 2022-23 were allocated for dairy promotion, 20% were allocated for meat promotion, and 28% were allocated for crop promotion. The investment in dairy over meat and crops is largely due to spending of the rural development loan PR, which can only be used for the dairy industry.

TABLE 1

Wisconsin Initiative for Agricultural Exports -- 2022-23 Funding Allocations

| | <u>2021-22</u> | | <u>2022-23</u> | | <u>Total</u> |
|--------------------------------------|----------------|-------------------|----------------|-------------------|---------------|
| | <u>GPR</u> | <u>PR</u> | <u>GPR</u> | <u>PR</u> | |
| Export Expansion Grants | \$287,500 | \$277,100 | \$199,700 | \$484,000 | \$1,248,300 |
| International Market Access Grants | 30,000 | 10,000 | 75,000 | 35,000 | 150,000 |
| ExporTech | | | 5,000 | | 5,000 |
| Trade Promotion Shows and Activities | 140,900 | | 296,600 | | 437,500 |
| Other | <u>39,900</u> | <u> </u> | <u>42,200</u> | <u> </u> | <u>82,100</u> |
| Total | \$498,300 | \$287,100 | \$618,500 | \$519,000 | \$1,922,900 |

7. According to the Wisconsin Agricultural Export Advisory Council, in 2022, dairy exports, accounting for 14% of all Wisconsin agricultural exports, increased approximately 32% to \$617 million. Meat exports, accounting for 19% of all Wisconsin agricultural exports, decreased 2% to \$782 million. Crop product exports, accounting for 67% of all Wisconsin agricultural exports, increased 5% to \$2.82 billion. Overall in 2022, Wisconsin agricultural exports totaled \$4.22 billion, an increase of \$245 million, or 6%, since 2021. Table 2 shows export numbers at the end of 2021 and 2022 and percent change between each year. This is the highest year on record for agricultural exports, though growth has slowed since 2021. DATCP contends the WIAE is on track to reach the statutory goal of increasing all export categories by 25%, and there will be additional allocations towards meat in upcoming biennia to keep up with other exports.

TABLE 2

**Wisconsin Agricultural Exports
(in Billions)**

| | <u>Year-End 2021</u> | <u>Year-End 2022</u> | <u>Percent Change</u> | <u>Program Goal</u> |
|-------------|----------------------|----------------------|-----------------------|---------------------|
| Meat | \$0.80 | \$0.78 | -2.3% | 25% |
| Dairy | 0.47 | 0.62 | 32.3 | 25 |
| Crop | <u>2.69</u> | <u>2.82</u> | <u>5.3</u> | <u>25</u> |
| All Exports | \$3.96 | \$4.22 | 6.2% | 25% |

8. Assembly Bill 43/Senate Bill 70 would eliminate the \$1,000,000-per-year statutory spending cap currently set for the program, and provide \$1,883,200 in 2023-24 and \$1,000,000 in 2024-25 to DATCP's IAC to support agricultural export promotion through WIAE. The proposal would result in total funding for the biennium of \$2,883,200, including ongoing funding of \$1,000,000 in 2024-25. The structure for program funding established in statute would continue to require allocations of at least \$5 million to achieve export goals over approximately five years; however, the proposed change would accommodate expenditures needing to be made far enough in advance of June 30, 2026, to fulfill WIAE's charge.

9. Table 3 shows DATCP anticipated allocations for fiscal years 2024 and 2025 under the bill. DATCP reports that additional funding would allow for another round of export expansion grants, which the Department would not budget in the 2023-25 biennium under the program's base allocation. In addition, DATCP would use funding to undertake additional trade promotion activities and to operate a promotional social media campaign. DATCP contends that additional proposed social media promotion will act as a supplement to trade promotion activities and organizations. DATCP reports that it has the demand and capacity to award more grants and participate in more trade events.

TABLE 3**Wisconsin Initiative for Agricultural Exports -- 2023-25 Funding Allocations**

| <u>Purpose</u> | <u>2023-24</u> | <u>2024-25</u> |
|--|--------------------|--------------------|
| Grants and Scholarships | | |
| Export Expansion Grants | \$500,000 | \$0 |
| International Market Access Grants | 210,000 | 210,000 |
| Exportech Scholarship | <u>10,000</u> | <u>10,000</u> |
| Grants Subtotal | \$720,000 | \$220,000 |
| Trade Promotion Activities | | |
| Trade Mission to Colombia/Chile | \$125,000 | \$0 |
| Trade Mission to East/Northern Africa | 0 | 125,000 |
| Food and Agricultural Tracks on 2 WEDC Trade Missions | 80,000 | 80,000 |
| Dairy Product Mission with Promotion Activities and Social Media | 75,000 | 75,000 |
| Agrofarm at AgraME Trade Show | 75,000 | 75,000 |
| Anuga Trade Show | 75,000 | 0 |
| Salon International de la Agriculture | 75,000 | 0 |
| GulFood Trade Show | 75,000 | 75,000 |
| SIAL Paris | 0 | 75,000 |
| SIAM Morocco | 0 | 75,000 |
| Carrefour Wood Show (France) | 56,000 | 56,000 |
| China Dairy Expo | 56,000 | 56,000 |
| Social Media Campaign | 55,000 | 0 |
| Export Education/Seminars | <u>33,000</u> | <u>33,000</u> |
| Trade Promotion Total | \$780,000 | \$725,000 |
| Other | | |
| Promotional Social Media Campaigns | \$152,000 | \$55,000 |
| Inbound Buyers and Influencers | 81,200 | 0 |
| Updates to Wisconsin Agriculture Videos and Search Engine Optimization | <u>150,000</u> | <u>0</u> |
| Other Total | \$383,200 | \$55,000 |
| Total | \$1,883,200 | \$1,000,000 |

10. DATCP reports that demand for export expansion grants has been high, as allocations were fully expended in the 2022 and 2023 grant cycles, with requests exceeding awards in 2022. DATCP contends that providing more grants and attending more trade events would be beneficial to the initiative's long-term success. For activities that help Wisconsin companies enter into new markets, introduce new products, or rebuild from lost customers, DATCP reports it can take up to three years to see significant changes in export volumes. For expansion activities in existing markets with established customers, DATCP reports that although output is typically faster, it can take one to two years to see significant changes in export volumes.

11. DATCP and WEDC appear to have administered 2021-22 and 2022-23 funding consistent with the WIAE plan submitted to the Legislature in December, 2021. This includes: (a) the implementation of new or expanded grants; (b) allocating funding to sectors, such as forestry, that have not been eligible to use existing programs and federal funding; and (c) attending or hosting additional trade-promoting shows, including inbound buyers missions to benefit significant sectors in

Wisconsin. The proposed allocations for requested 2023-25 funding similarly appear to align with the WIAE strategy and are consistent with the provisions of Act 92. Additional funding would allow DATCP to hold an additional export expansion grant round, participate in additional trade missions, and operate promotional social media campaigns. The Committee could provide \$1,883,200 in 2023-24 and \$1,000,000 in 2024-25 to support WIAE [Alternative 1].

12. The Committee could also choose to maintain funding as it was in fiscal years 2022 and 2023. DATCP would accordingly adjust grant spending and trade promotion event scheduling attendance. However, as rural development PR balances have been mostly allocated, GPR would be the sole remaining fund source. Funding for the program would be \$1,000,000 GPR each year in the 2023-25 biennium [Alternative 2].

13. The Committee could also consider providing \$3 million GPR in 2023-24 in a continuing appropriation for WIAE. Providing \$3 million in 2023-24 would authorize the \$5 million that must be expended for WIAE in advance of the June 30, 2026, goal. This could be considered an appropriate option given the available balance of the general fund and the identified lag between program funding and export volume response [Alternative 3].

ALTERNATIVES

1. Eliminate the \$1,000,000-per-year statutory spending cap currently set for the Wisconsin Initiative for Agricultural Exports, and provide \$1,883,200 in 2023-24 and \$1,000,000 in 2024-25 to DATCP's IAC to support agricultural export promotion the program.

| ALT 1 | Change to Base |
|-------|----------------|
| GPR | \$2,883,200 |

2. Provide \$1,000,000 GPR annually in the 2023-25 biennium for WIAE. (Funding would be consistent with total amounts provided in the 2021-23 biennium for the program).

| ALT 2 | Change to Base |
|-------|----------------|
| GPR | \$2,000,000 |

3. Provide \$3,000,000 GPR in 2023-24 in a continuing appropriation for WIAE, and eliminate the \$1,000,000-per-year statutory spending cap for WIAE. (This amount would reach WIAE's statutory spending requirement of \$5 million.)

| ALT 3 | Change to Base |
|-------|----------------|
| GPR | \$3,000,000 |

4. Take no action.

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