

WISCONSIN INITIATIVE FOR AGRICULTURAL EXPORTS

SUBMITTED TO

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DECEMBER 31, 2021



PREPARED BY

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INTRODUCTION

In the 2021-2023 state budget, the Wisconsin Legislature approved a historic investment in Wisconsin's ability to export its agricultural products to international marketplaces. This investment called for up to \$1 million each year for five years to support efforts by the Wisconsin Economic Development Corporation (WEDC) and the Wisconsin Department of Agriculture, Trade, and Consumer Protection (DATCP) to promote Wisconsin products, cultivate and train Wisconsin agricultural exporters, and elevate the Wisconsin brand. On December 3, 2021, Governor Evers signed additional legislation into law honing these requirements, 2021 Wisconsin Act 92 (Wis. Act 92). Among other requirements, this law requires DATCP and WEDC to submit a plan to the Legislature outlining a strategy for increasing agricultural exports over the next five years. The combination of the requirements, resources, and expectations outlined in the budget and Wis. Act 92 are referred to collectively in this report as the Wisconsin Initiative for Agricultural Exports (WIAE). This report provides an overview of that five-year plan and identifies the infrastructure and resources that DATCP and WEDC intend to develop and support the implementation of the plan to help Wisconsin's agricultural producers take advantage of international trade opportunities.



EXISTING EXPORT SUPPORT ACTIVITIES

Wisconsin companies turn to both DATCP and WEDC for export support. DATCP and WEDC collaborate to leverage their respective strengths and effectively and efficiently assist stakeholders. Since WEDC provides export support to businesses outside of food, forestry, and agriculture, this report focuses on those services most frequently accessed by agribusinesses and is not fully representative of all WEDC services. This section highlights the strengths and services provided by DATCP and WEDC in four areas, with both DATCP and WEDC providing services to companies in each of these areas. Those areas include:

- Trade Promotion Activities
- Financial Support
- Export Consultation and Education
- Marketing Promotion Assistance

Trade Promotion Activities

There are four major types of trade promotion activities: outbound trade missions [1], trade shows, inbound buyer missions, and social media campaigns. DATCP focuses on all four types of trade promotion activities and WEDC typically focuses only on outbound trade missions. Currently, DATCP develops and leads companies on trade promotion activities funded by the U.S. Department of Agriculture (USDA) through Food Export of the Midwest, U.S. Livestock Genetics, and the Small Business Administration's State Trade Expansion Program (STEP) Grant. Each granting organization has unique criteria for activities that DATCP must follow to receive funding including location, products, and companies involved.

Based on the type of trade promotion activity, country location, and product opportunities, DATCP and WEDC recruit companies to participate. Recruitment efforts rely on DATCP and WEDC websites, e-mail lists, social media, presentations to agribusiness industry group meetings and conferences, and most importantly, one-on-one contacts with agribusinesses expressing interest. Once identified, DATCP works closely with these agribusinesses to ensure they are able to sell their products in a particular market, have the capacity to supply products to the foreign buyers, and are offering a product appropriate for the type and location of the trade promotion activity. DATCP staff help refer companies to other trade promotion activities if that agribusiness is not a good fit.

[1] WEDC uses the term "trade venture" for outbound trade missions, which are WEDC staff/Secretary led and the term "trade mission" when it is Governor led.

OUTBOUND TRADE MISSIONS

Outbound trade missions bring the sellers directly to the target market. With outbound trade missions, DATCP and WEDC utilize export data to identify target markets and opportunities to export Wisconsin products. Outbound trade missions typically target one to two key markets (with two to three major city locations) and are approximately one week in duration. Staff recruit companies that fit the product profile for the market. Depending on who is leading the outbound trade mission, DATCP or WEDC staff connect and coordinate meetings with prospective distributors, dealers, agents, representatives, and end user-customers, schedule specialist and regulatory expert briefings, and arrange store, processor, and other customer visits. Historically, WEDC develops and leads outbound trade missions each year to Wisconsin's top three markets (Canada, Mexico and China) and plans additional outbound trade missions to three different markets based on the market analysis, industry input, and export growth opportunities for manufacturing product sectors. They also plan other outbound trade missions each year. DATCP has created an agriculture track on prior WEDC outbound trade missions. For example, WEDC and DATCP collaborated on a manufacturing and agriculture outbound trade mission to Japan in 2019.

TRADE SHOWS

Trade shows around the world help connect buyers and sellers. DATCP reserves pavilions at trade shows to promote the Wisconsin brand and agricultural products to potential buyers. Companies featured in these pavilions receive booth space and furnishings, assistance with marketing and presentation information, market briefings and introductions to in-country resources. Pavilion rental costs range from \$50,000 to \$55,000 and include walls, table, chairs, electricity, water/washing stations, and coolers. Additional expenses range from \$15,000 to \$20,000 for interpreters, meeting room space for presentations, receptions to promote Wisconsin companies and their products, print publications, and sample shipments. DATCP currently utilizes federal funds to participate in trade shows, which typically include multiple agricultural product categories. Some historically successful trade shows for Wisconsin agribusinesses include China Dairy Expo and Gulfood in the United Arab Emirates. European trade shows draw international buyers from markets hard to reach by other methods. Currently, DATCP is limited to participating in trade shows that can be funded by federal sources.

INBOUND BUYER MISSIONS

Building on international trade shows and international trade missions, DATCP invites potential buyers to visit Wisconsin to meet with Wisconsin agribusinesses, present their products, establish relationships, and secure new and ongoing sales. Buyers typically tour farms, retail food stores, and food processing facilities to gain a better understanding of what Wisconsin has to offer. They also attend events to help foster relationships and cultural understanding. DATCP may collaborate with trade associations or other external organizations, such as Dairy Farmers of Wisconsin, on inbound buyer missions. For example, in 2019, DATCP worked with Dairy Farmers of Wisconsin to bring 12 cheese buyers from Saudi Arabia, United Arab Emirates, Lebanon, Qatar, and Kuwait to meet with 12 Wisconsin companies. This inbound buyers mission yielded initial purchases of more than \$400,000 and many ongoing sales.

SOCIAL MEDIA CAMPAIGNS

DATCP collaborates with industry partners at the state and national level to promote specific Wisconsin agricultural products in target markets. These social media campaigns promote the industry and provide links to specific companies to raise awareness of the benefits of Wisconsin products. For example, in 2020, DATCP worked with a marketing company to operate geofencing, which provides a means for show attendees to see ads and promotional information in a defined area around a trade show with the purpose of driving potential buyers to the Wisconsin pavilion at the Gulfood trade show. Another successful element to this same social media campaign, which garnered over 16 million impressions, directed people to the Dairy Farmers of Wisconsin website and connected buyers with Wisconsin cheese makers.

WORLD DAIRY EXPO

During World Dairy Expo, an international dairy cattle and tradeshow, DATCP staff promote and connect livestock, genetics, and feed suppliers with foreign buyers of animal feed, supplements, livestock, and genetics. DATCP organizes farm and company tours. DATCP arranges and attends meetings with the Center for Dairy Research and University of Wisconsin-Veterinary Services for international visitors. WEDC staff promote and connect agricultural equipment suppliers with foreign buyers during World Dairy Expo. World Dairy Expo creates opportunities for visitors to see the quality of Wisconsin facilities, build personal relationships, and develop an affinity for Wisconsin products.

Financial Support

FEDERAL GRANTS TO DATCP

DATCP and Wisconsin agribusinesses receive grant funding and trade support for DATCP led trade promotion activities from Food Export of the Midwest, U.S. Livestock Genetics, and the Small Business Administration's STEP Grant that is administered by WEDC. The manner in which funding is received from each of these sources are as follows:

- Food Export of the Midwest receives funding from the USDA, which they spend to execute trade promotion activities including international trade show pavilions. Food Export of the Midwest pays vendor expenses and reimburses DATCP for travel to lead the event.
- USDA provides funding to U.S. Livestock Genetics as grant to DATCP. DATCP uses this funding on livestock and genetics trade promotion events. As a requirement for the funding, DATCP is required to promote all U.S. livestock and genetic companies in addition to Wisconsin companies.
- STEP is a program that can only benefit businesses with fewer than 500 employees. DATCP applies to WEDC for trade promotion projects to be included in WEDC's STEP grant application as a sub-grantee. When WEDC is awarded the funds, WEDC contracts with DATCP to execute the activities.

WEDC GRANTS

WEDC's Global Business Development Program consists of the International Market Access Grant (IMAG) and the Collaborative Market Access Grant (CMAG). The IMAG provides funding to support a company's specific export development and deployment strategy. The CMAG aids these efforts through an industry focused intermediary [2]. Both are reimbursable grant programs. IMAGs can be used for trade promotion activities; marketing and promotion, including translation of materials; consulting services, including authorized trade representatives; and export education including language and cultural competency training. IMAG applications are processed and funds distributed on a rolling basis until the annual allowance is met. The CMAG utilizes an industry-focused intermediary to provide pass through funding to companies for export development. The CMAG is available to all non-profit industry organizations, including agribusiness organizations. DATCP refers agribusiness companies to WEDC's IMAG and provides technical support for agribusiness companies while they are implementing their IMAG export project.

[2] Industry-focused intermediaries includes industry associations, alliances, agencies, non-profits, regional economic development organizations, or other state or local departments located in Wisconsin working with Wisconsin companies to increase exports.

WEDC TUITION SCHOLARSHIPS

WEDC provides tuition scholarships for manufacturing companies to participate in ExporTech™, an export acceleration program provided by the Wisconsin Manufacturing Extension Partnership and the University of Wisconsin-Stout's Manufacturing Outreach Center. ExporTech™ is a 12-week program to help small to midsize Wisconsin companies learn export strategies, best practices, and the mechanics of exporting. Participants develop a customized export growth plan that has the greatest revenue potential and lowest risk. Companies graduate with a customized, strategic, export development plan and top three export markets to focus on their plan. Each ExporTech™ session can accommodate up to ten companies and there are approximately four ExporTech™ sessions per year. Of these companies, approximately two per year are food-processing companies, which the only agribusinesses currently eligible to participate in ExporTech™. While ExporTech™ can benefit new exporters, it is primarily attended by experienced exporters.

FOREIGN DIRECT INVESTMENT [3]

Foreign companies who may be seeking to acquire existing Wisconsin companies or expand their businesses into Wisconsin receive assistance from WEDC. Foreign owned companies in Wisconsin are more prone to export Wisconsin products into their home country and the Western hemisphere. DATCP assists WEDC with food, forestry, and agriculture related companies by providing information and facilitating connections with appropriate regulatory divisions and companies. DATCP supports WEDC's promotion and attraction efforts by participating in the U.S. Department of Commerce's Select USA annual conference, connecting with agribusiness organizations and companies, and making referrals to state and federal regulatory agencies.

[3] Foreign direct investment is an economic term used to describe when companies from abroad build facilities, purchase equipment, hire workers, and create products and services in the U.S.

Export Expertise and Education

CONSULTATIONS

Both DATCP and WEDC staff provide one-on-one assistance to new and experienced exporters to help overcome regulatory compliance issues (such as labeling requirements, phytosanitary regulations, or import/export barriers), provide information on country protocols [4], assist with logistics and marketing, help companies prepare to export, and create a strategic plan. Both agencies also identify export and trade promotion activity opportunities through direct company consultations. WEDC refers agribusiness companies to DATCP for its expertise involving food regulatory compliance. Exporting food products requires specific knowledge that is different from exporting manufactured goods because each country has unique food safety standards. For example, an importing country's safety standards may require product or facility registration before a Wisconsin product enters that country. Product registration can include labeling requirements and product ingredient review, which can take six months or longer to complete. DATCP works directly with companies to identify these foreign regulatory barriers and craft strategies to address them. DATCP provides referrals and follow-up with U.S. and foreign government agencies, industry organizations, and private sector resources for Wisconsin agribusinesses. Some examples of consultations provided include:

- Helping an exporter with multiple containers of deer hides, worth millions of dollars, obtain the proper documentation to clear customs in Pakistan.
- A cheesemaker seeking a market in China worked closely with DATCP staff to obtain the proper registrations. China is now a key export market for them.

FOOD EXPERTISE

DATCP staff have access to country market reports from USDA including exporter guides, retail food reports, food service reports, and food and agricultural import regulations. Through Food Export of the Midwest, DATCP staff have access to the food and beverage category of Euromonitor International [5], which helps them obtain reports on a specific product in a specific country. DATCP staff meet with USDA Foreign Agriculture Service staff and attend briefings to gather information on specific markets. While leading trade promotion activities, DATCP staff tour retail stores (including hypermarkets, supermarkets, and specialty food stores) and meet with e-commerce companies and retail buyers. During one-on-one consultations with Wisconsin companies, DATCP staff share their food knowledge and expertise so that companies have a better understanding of the market and food regulations.

[4] Protocols are the export requirements agreed to by the exporting and importing countries. Protocols include documentation required from the USDA, FDA, or DATCP in order to export.

[5] Euromonitor International research includes as many as 80 countries worldwide and provides detailed analysis of current market conditions and predictions on market trends.

AGRIBUSINESS EXPERTISE

Key non-food agribusiness products for Wisconsin include livestock, genetics, forestry, ginseng, mink, and feed. DATCP staff have experience and knowledge of the protocols, top markets, and research and data available for these products. DATCP staff work closely with University of Wisconsin and academic researchers around the U.S. and globally to provide technical training to exporters. DATCP staff are also a resource to validate these Wisconsin products in foreign markets through seminars at trade shows, inbound buyer missions, and official delegation visits.

SEMINARS

DATCP staff periodically develop new exporters by presenting seminars to share their expertise on foreign consumer and business demand for product types, characteristics of geographic regions of the world, or specific foreign market opportunities. The seminars also provide tips for accessing export funding resources and navigating regulatory issues. DATCP leverages staff expertise to present on product types, geographic regions of the world, or specific foreign markets. DATCP leverages resources from the Small Business Development Centers, University of Wisconsin - Division of Extension, Service Corps of Retired Executives, U.S. Department of Agriculture, and the U.S. Commercial Service to teach seminar participants about the process and steps involved in starting to export. These seminars typically draw approximately 20 to 25 participants.



Marketing Promotional Assistance

ANALYSIS

The focus of trade promotion activities are to bring exporters and buyers together to grow export opportunities. WEDC and DATCP evaluate export and import data to determine the highest value opportunity markets for Wisconsin products.

WEDC and DATCP evaluate export data from the U.S. Census Trade Data Set through WISERTrade [6], and utilize industry market reports from the USDA Foreign Agriculture Service, U.S. Commercial Service, and other public and private sources. In evaluating market demand, consideration is also given to population growth, gross national product, strength of the purchasing power, and other demographic factors. WEDC subscribes to the export data tools and provides access to DATCP. WEDC and DATCP make decisions regarding the top markets and markets with growth potential, which influence selections of trade promotion activities. The analyzed data is also used by companies to inform their individual company's export decisions. The export data and opportunity markets are evaluated annually to determine if others should be added and trade promotion activities modified or changed. In addition, WEDC and DATCP monitor economic, political and trade-related news to determine if more immediate action is necessary regarding trade promotion activities and informing the companies they serve.



[6] WISERTrade supplies accurate and comprehensive data on international trade flows with analytics to support essential global strategic decisions and problem solving. WISERTrade is used to obtain the trade values from the U.S. Census Trade Data Set.

DATCP and WEDC evaluate and assess several factors when determining where to go for a specific trade promotion event. The analysis process includes consideration of the following:

- **Whether or not a country is currently importing (from Wisconsin, U.S., or other countries).** Demand in a particular market or country, for a product or group of products, is confirmed if the data show it is currently being imported and at what level.
- **Whether or not companies are export-ready [7] and producing an in-demand product.** Identify Wisconsin companies currently producing the product through industry organizations, export service providers, agribusiness conferences, and industry contacts. DATCP staff are in regular communication with existing exporters about opportunities in existing and new markets. DATCP staff work with companies that are considering their export readiness by reviewing the following factors:
 - Manufacturing capacity to support exporting the product.
 - Understanding of market importing requirements.
 - Equipment with the ability to make changes to labeling and/or packaging. For example, Canada requires the label to be in both French and English and adhere to the Canadian nutritional panel.
 - Equipment with the ability to make changes to product characteristics such as flavor, quantity, size, or color for the market. For example, a company adapted the flavor profile, size of the product, and quantity in a package to accommodate sausage preferences in Japan.
 - Company executives prepared to undertake the steps necessary to export in market.
- **Whether or not products are eligible to export to that market.** Each country has unique requirements. Protocols have more prevalence in food than in manufacturing. For example, there are no protocols in place that allow the U.S. to export dairy products to India, which means that, while there is a dairy market, Wisconsin is unable to export to India. In markets where there are protocols, there are also registration requirements for exporting companies. There are also product quotas that may limit the total amount of product that can be exported from the U.S. to a particular market without incurring high tariffs. For example, in Canada, product quotas make dairy products uncompetitive with Canadian products.

[7] DATCP staff are in regular communication with existing exporters about opportunities in existing and new markets. DATCP staff utilize their expertise and experience to prepare companies to become export-ready by providing guidance on best practices for addressing their specific export barrier(s).

RESEARCH

DATCP staff regularly seek out opportunities to improve market intelligence for Wisconsin agribusiness exporters and understand consumer or business perception of Wisconsin products in foreign markets. For example, through the USDA Emerging Market Program, DATCP staff conducted a market assessment for determining the potential of ginseng exports in India. India currently does not import ginseng, however, many factors that contribute to China being a strong market for ginseng are prevalent in India. DATCP is building on the success of China in order to expand the Wisconsin ginseng market to India. In another USDA Emerging Market Program, DATCP staff are conducting a market assessment to quantify the log volume conversion factor used to export logs to China in order to grow a value-added lumber export market in China.

WEDC GLOBAL TRADE REPRESENTATIVE NETWORK

WEDC maintains relationships with international trade representatives in 97 countries. This fee-for-service “Global Network” serves as Wisconsin’s boots on the ground in foreign countries to assist with market assessments, partner searches, business meeting facilitation, and custom projects. Companies can use an IMAG to cover the cost of Global Network services export support services, not including outbound trade missions. When WEDC does outbound trade missions, meetings are arranged for WEDC staff to connect with economic governmental counterparts and industry organizations. DATCP utilizes the Global Network’s international trade representatives to assist with trade promotion events and have made company referrals to WEDC for Global Network services.



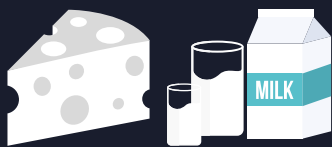
2021 WISCONSIN ACT 92 PARAMETERS

Wis. Act 92 requires DATCP and WEDC to work together to increase Wisconsin exports by 25 percent over the December 31, 2021 value of the following product categories: milk and milk products, meat and meat products, and crop and crop products by June 30, 2026.

Wis. Act 92 requires that DATCP expend \$5,000,000 under the WIAE. Of that amount, Wis. Act 92 requires DATCP to devote \$2,500,000 to increasing the value of Wisconsin's milk and other dairy product exports, \$1,250,000 to increasing the value of Wisconsin's meat and meat product exports, and \$1,250,000 to increasing the value of Wisconsin's crop and crop products. DATCP may not expend more than a total of \$1,000,000 under the program in any fiscal year. However, the current state budget and Wis. Act 92 require DATCP request that the Joint Committee on Finance provide supplemental funding in the amount of \$558,400 in each fiscal year of this biennium instead of \$1,000,000 for each fiscal year for the WIAE. DATCP will request sustained funding for the WIAE for years three through five through the biennial budget process.

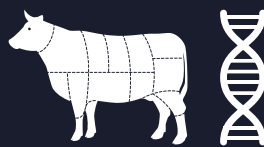
Wis. Act 92 also requires a plan for at least 15 percent of the money appropriated for the WIAE to be provided to Wisconsin exporters in grants by December 31, 2022.

Additionally, DATCP and WEDC will jointly submit a report by June 30, 2024 describing the progress made in achieving Wis. Act 92's objectives. After June 30, 2026, the Legislative Audit Bureau will conduct a program evaluation audit of the WIAE and file an audit report no later than December 31, 2026.



Dairy & Dairy Products

\$2,500,000



Meat & Meat Products

\$1,250,000



Crop & Crop Products

\$1,250,000

WISCONSIN INITIATIVE FOR AGRICULTURAL EXPORTS

While WEDC and DATCP already offer support and resources to exporters, most of DATCP's agribusiness opportunities are funded by federal or private organizations, which direct funds to specific exporters, activities, or geographic locations that align with their priorities. Funding provided under the WIAE will allow Wisconsin to better control and direct its export destiny by providing DATCP the flexibility to direct resources at the export markets with the greatest market opportunity and potential for Wisconsin agribusinesses. The WIAE will grow Wisconsin's share of the growing global market by addressing challenges faced by exporters, and capitalizing on opportunities most aligned with Wisconsin's products and strengths. The WIAE will expand existing programs, enhance trade promotion activities, and develop Wisconsin specific activities to enable Wisconsin's agricultural exporters to overcome challenges.

Expand Existing Programs

EXPORTECH™ SCHOLARSHIPS

Building on the success of ExporTech™ in helping Wisconsin businesses become export ready, the WIAE will enable WEDC to expand eligibility for ExporTech™ scholarships to all agribusinesses. In addition to food processors, additional agribusinesses, such as livestock producers, vegetable growers, grain farmers, and genetics companies, will have the financial support to participate in ExporTech™ to learn about exporting and create an export plan.

INTERNATIONAL MARKET ACCESS GRANT (IMAG)

The IMAG provides assistance to businesses to further their exporting goals. The WIAE will expand the existing program by designating funds solely for agribusinesses, and therefore, increase the number of agribusinesses receiving an IMAG.

Enhance Trade Promotion Activities

Since trade promotion activities are designed to attract buyers, introduce new markets to Wisconsin products, and elevate the recognition of Wisconsin brands, increased advertising, relationship-building, and marketing investment drives success. Even under existing programs funded by the federal government, participating exporters often find the most success when the trade promotion activity contains participants that are best matched with the targeted market. The resources provided by the WIAE will therefore expand opportunities for Wisconsin agribusiness exporters to meet and develop relationships with buyers in several ways.

ENHANCE CURRENT OPPORTUNITIES

DATCP will continue to participate and lead trade promotion activities funded by existing federal and external resources. The resources available through the WIAE will allow DATCP to take more participants to trade shows by purchasing additional exhibition space, add a social media campaign to an existing trade promotion activity, or add an agricultural track to a WEDC outbound trade mission. Examples of how the WIAE can enhance current opportunities include:

- At the Fine Foods Australia trade show, in addition to the pavilion with Food Export of the Midwest, the WIAE funding will provide an additional Wisconsin-focused pavilion.
- The same trade shows that attract livestock and genetics buyers also attract feed buyers. However, when utilizing funding from U.S. Livestock Genetics, DATCP is unable to bring Wisconsin feed companies. The WIAE funding permits DATCP to purchase additional space at those trade shows featuring Wisconsin feed exporters alongside our livestock and genetic exporters.
- When participating in a Food Export of the Midwest funded trade show, there is a limited number of Wisconsin companies that can participate. WIAE funding provides the opportunity for a Wisconsin brand pavilion providing more access to Wisconsin companies and elevating overall awareness of the Wisconsin brand.

DEVELOP WISCONSIN FOCUSED PRIORITIES

DATCP will utilize WIAE funds to sponsor outbound trade missions, inbound buyers missions, and trade shows that align with Wisconsin opportunities that may not be currently funded by the federal government or other sources. Examples of how the WIAE will allow for new opportunities:

- The largest dairy event in Latin America is Agroleite in Brazil, a market that DATCP has identified as promising for Wisconsin feed, livestock, and genetics exporters. Since Food Export of the Midwest is not participating, we only have the opportunity to participate through WIAE funding.
- Currently, lumber and timber businesses have limited opportunities to participate in trade shows using federal funding. Funds from the WIAE will provide trade show opportunities for this Wisconsin agriculture sector.
- Current funding sources limit the opportunities to bring buyers to Wisconsin. The funding provided for the WIAE will increase the number of inbound buyer missions from priority markets in order to sell Wisconsin agribusinesses products.

Creation of an Export Expansion Grant Program

Agriculture associations, higher education institutions, and agricultural leaders have expressed interest in developing resources to support exporters at various stages of development. In response to this input, DATCP is proposing to create an Export Expansion Grant Program to foster innovation in exporting. Through the new Export Expansion Grant Program, Wisconsin organizations and higher education institutions could individually or collaboratively develop a project, benefiting multiple companies, to be funded under the grant. The grants are expected to range from \$25,000 to \$50,000 and have a two-year completion timeframe. The projects funded by this program will benefit at least one of the product category sectors and achieve one or more of the following objectives:

- Cultivate new to export and emerging export agribusinesses.
- Build the exporting capacity and knowledge of the industry.
- Increase understanding of foreign markets and consumers.
- Make products export ready or develop products for specific export markets.
- Promote Wisconsin products in foreign markets.

It is anticipated that approximately 20 existing state organizations would be eligible for this grant. Potential projects include:

- Create a cooperative logistics group to consolidate shipments and reduce costs.
- Study international consumer preference data to understand how to modify product flavors to sell more product in specific markets.
- Establish a food and agricultural export higher educational program covering export basics.
- Implement product awareness campaigns for a specific product group.

DATCP has engaged in conversations with the Wisconsin Cheese Makers Association, Dairy Farmers of Wisconsin, Wisconsin Beef Council, Waukesha Technical College's Global Business Program, Center for Dairy Research, Food and Beverage, Food Finance Institute, University of Wisconsin-Stevens Point Forestry Products, Wisconsin Cooperative Network, Wisconsin Pork Association and the Mink Breeders Association. Several of these organizations have expressed interest in applying for the Export Expansion Grant Program and being collaborative partners in expanding exports of Wisconsin products.

Flexibility to Respond and React to Changing Market Conditions

The volatility of international markets can create both challenges and opportunities. As we have seen in recent years, any number of factors may change market conditions including political climate, trade agreements, animal health, and borders closing due to a pandemic.

The WIAE provides the flexibility to respond and react to the changing market conditions by:

- Pursuing other trade promotion activities when a trade show cancels or is modified due to country restrictions. Currently, if a trade show is federally funded (other than with STEP funds), we are often unable to redirect to another trade promotion activity.
- Pivoting to a virtual outbound trade mission by utilizing the WEDC's Global Network of international trade representatives to recruit buyers and facilitate the virtual meetings. DATCP recently conducted a virtual outbound trade mission involving seven Wisconsin companies in Japan. All seven companies met strong prospective buyers with one company reporting initial sales of \$36,000 of Wisconsin cheese. They now expect ongoing sales in this traditionally challenging market.

- Taking advantage of trade promotion activities that arise on short notice. For example, DATCP may learn about trade show openings beneficial for Wisconsin companies, which have booth space due to a cancellation. WIAE funding allows for DATCP to work with companies to benefit from last minute opportunities. There is typically a long process to work with funders to establish eligibility and compete for awards. DATCP is currently unable to take advantage of these opportunities.
- Helping Wisconsin agribusinesses establish their brands and products on foreign e-commerce platforms to sell in selected markets that are transitioning from traditional retail establishments. For example, six Wisconsin companies increased product sales in China by listing their companies and products on jd.com, Tmall.com, and Alibaba.com e-commerce platforms, resulting in nearly \$60,000 in immediate export sales.
- Implementing social media campaigns and advertising to promote Wisconsin products and companies. When borders were closed during the COVID-19 pandemic, DATCP worked with six companies, in collaboration with Dairy Farmers of Wisconsin, to conduct a social media campaign for Wisconsin cheese in the United Arab Emirates, which led to increased sales and additional orders.
- Pursuing trade promotion activities more quickly in new markets to take advantage of new protocols or trade agreements. When countries open their borders to new products, it is often a race to market. Without access to flexible funding like the WIAE provides, Wisconsin agribusinesses have to compete domestically to be a part of an effort to introduce American products to that market (for example, competing to be a part of a trade promotion activity sponsored by the USDA). With WIAE funding, Wisconsin agribusinesses can move to the front of the line for existing trade missions, or WEDC and DATCP can initiate a Wisconsin-only effort to capitalize on the new market.

Changing market conditions may result in a planned trade promotional activity to be cancelled. Traditionally, face-to-face meetings have been the best approach for buyers and sellers to connect, however, the pandemic has taught the world to be more creative in making connections. Utilizing data research tools, experience and knowledge of the markets, and the availability of other opportunities, DATCP will pivot to the highest value opportunity market for Wisconsin products and provide a replacement trade promotion activity. The WIAE funding provides the resources to make this happen.

Ability to Meet Challenges

Wisconsin agribusiness exporters face similar challenges to U.S. exporters of the same products such as connecting and developing relationships with buyers, understanding foreign markets and their regulatory requirements, and understanding foreign consumers. Wisconsin agribusinesses have additional barriers including a longer distance to ocean ports, which results in longer transit and higher shipping costs. Wisconsin companies are generally more cautious and less familiar with export markets than companies located on the coasts. This results in some tendencies to focus sales on more familiar U.S. consumers. The WIAE is designed to bring Wisconsin exporters and foreign buyers together by targeting more trade promotion in markets, which are most beneficial to Wisconsin companies. The WIAE also provides opportunities to lead trade promotion activities in markets that are friendly and easier to access for new exporters such as Australia. In addition, the WIAE aims to support agribusinesses in market entry and expansion through IMAGs, ExporTech™ scholarships, and Export Expansion grants.

Through these efforts, the WIAE will support experienced exporters, while also offering resources to cultivate new exporters. In the short term, the most impactful way to grow Wisconsin exports rapidly is to help existing exporters sell more products in both their existing markets and new markets. However, there are long-term benefits for Wisconsin investing in new exporters during the one to three years it takes to establish ongoing sales. As this program matures, it will be important to capture the benefits of these connections, even if they have not yet resulted in sales.



ACCOUNTABILITY

The objectives in Wis. Act 92 are to increase each product category's exports by 25% over the value as of December 31, 2021. Those values will be available in the middle of February 2022. The 2021 values from the U.S. Census Trade Data Set [8] as of September 30, 2021 are:

- Dairy and dairy products: \$337,000,000
- Meat and meat products: \$613,000,000
- Crop and crop products: \$1,908,000,000

WEDC and DATCP will evaluate progress by monitoring the following metrics:

- Wisconsin agricultural export sales and year-on-year percent of growth by product group.
- Number of companies assisted, including unique companies and new exporters.
- Initial export sales reported from companies participating in trade promotion activities.
- Anticipated first-year sales from companies participating in trade promotion activities.
- Five-year export percentage of growth of participating companies.

Based on Wis. Act 92, all agricultural products have been categorized into the three groups: milk and milk products, meat and meat products, and crop and crop products. The milk and milk products category will include milk, cheese, whey, lactose, and other dairy products. The meat and meat products category will include fish, meat preparations, livestock, genetics, hides, furs, and other meat products. The crop and crop products category will include grains, forestry, processed foods, beverages, and other crop products. DATCP and WEDC will track funding based on the category of products the companies export. When multiple companies participate in an activity, the total activity cost will be divided by the number of companies and allocated based on the company export product category.

[8] Obtained through WISERTrade. Each product category includes all harmonized system codes for that product sector.

WEDC and DATCP will closely monitor funding expended for each product category and make real time adjustments as necessary. WEDC and DATCP will recruit companies to meet the target funding objectives in Wis. Act 92. If a particular product category is not meeting the anticipated benchmarks to achieve the funding level, WEDC and DATCP will specifically target that product with promotion of grants or by doing an inbound trade mission. If a product category reaches the specific amount designated before the five years, WEDC and DATCP will continue to support the product category companies through federal funded trade promotion activities as well as one-on-one consulting services.

DATCP and WEDC will cooperate with all reporting requirements required by law and any audits conducted by the Legislative Audit Bureau.

Export Advisory Council

DATCP and WEDC recognize the importance of ensuring that stakeholders and policymakers have the opportunity to monitor progress and contribute to its development. International trade is volatile, high-risk, and complicated but also offers opportunities for great rewards. While DATCP works closely with individual companies, DATCP has not traditionally engaged with agribusiness exporters on a broad scale. The ambitious goals of the WIAE require all of Wisconsin agriculture to be at the table. To create a forum for the exchange of ideas, investment in the WIAE, and understanding of progress, DATCP will create an Export Advisory Council comprised of the WEDC Vice President of Global Trade and Investment, agribusiness organizations, and agribusiness companies. The Export Advisory Council will advise DATCP on strategies and recommendations for the WIAE. DATCP has reached out to various stakeholders to discuss this approach, and the development of an export advisory council has been well received.

The Export Advisory Council will be a partner in developing the WIAE, provide strategic, real-time recommendations for adjustments, and provide a platform for sharing successful strategies. DATCP, WEDC, and the Export Advisory Council will evaluate the progress towards the objectives in Wis. Act 92 and evolve the program based upon the lessons learned as the program matures. The Export Advisory Council will be able to promote the WIAE, as well as the services provided by WEDC and DATCP, among its membership to ensure greater participation. In addition, the Export Advisory Council will bring forward the export initiatives or campaigns that their organizations are working on. This will allow DATCP and WEDC to collaborate, promote, and amplify those efforts to create a unified movement to increase Wisconsin agribusiness exports.

PROPOSED BUDGET

Wis. Act 92 requires \$2,500,000 be expended to increase dairy and dairy products; \$1,250,000 be expended to increase meat and meat products; and \$1,250,000 be expended to increase crop and crop products by 2026. Wis. Act 92 limits spending to no more than \$1,000,000 in any fiscal year and requires a plan to grant at least 15% of the total amount to exporters no later than December 31, 2022.

Proposed budget assumptions:

- Receiving \$558,400 in funding in each of the first two years. *[9]*
- Receiving \$1,000,000 annually in funding for each of the remaining three years. *[10]*
- 2022 calendar year grants awarded are based on 15% of the total anticipated funding.

DATCP and WEDC anticipate splitting the appropriated funding between the product categories each fiscal year by the following percentages: 50% to dairy and dairy products, 25% to meat and meat products, and 25% to crop and crop products. DATCP and WEDC will recruit companies accordingly. However, as companies choose to opt into the services provided, it is inevitable that adjustments will be necessary.

[9] Wis. Act 92 provides that DATCP may request \$558,400 in the first two fiscal years.

[10] DATCP will include a request in future biennial budget requests, however, there is no guarantee of future funding of the WIAE beyond the current biennium.

Year One - \$558,400

Amount	Item	Companies ^[11] Impacted
\$248,400	<u>Trade Promotion Activities</u> Trade Show - 1 (China Dairy Expo) Outbound Trade Mission - 1 (Korea/Taiwan) Inbound Mission - 1 (Deli, Dairy, & Bakers Association)	Up to 6 Up to 5 Up to 12
\$110,000	IMAG & ExporTech™ Scholarships	Estimate 12
\$200,000	Export Expansion Grants (2-4 grants to organizations)	Estimate 20

Planning and payment for trade promotion activities occur 8 to 12 months before the event. Therefore, the trade promotion activities in year one will rely on leveraging existing opportunities.

China Dairy Expo involves meat and crop product categories. This trade show is already booked with federal funding; however, DATCP will enhance the opportunity by obtaining additional stand space for more product and increase in-show promotions.

The **Korea/Taiwan outbound trade mission** is already being planned by WEDC and will be expanded to include an agricultural track. The outbound trade mission will involve all three product categories. Korea is one of the top markets for all three product categories and Taiwan is a targeted market for all three product categories.

Deli, Dairy, and Bakers Association is a show located in Georgia. Inbound buyer missions are planned around a major international trade show in the U.S. in order to take advantage of the buyer's presence in the U.S. The product category focus for this show is dairy. It is anticipated that an average of six to ten international buyers will meet with 10 to 12 Wisconsin agribusinesses.

[11] Companies may participate in more than one activity.

Year Two - \$558,400

Amount	Item	Companies Impacted
\$248,400	<u>Trade Promotion Activities</u> Trade Show - 1 (Fine Food Australia) Outbound Trade Mission - 1 (England) Inbound Mission - 1 (Indonesia)	Up to 6 Up to 5 Up to 12
\$110,000	IMAG & ExporTech™ Scholarships	Estimate 12
\$200,000	Export Expansion Grants (2-4 grants to organizations)	Estimate 20

Fine Food Australia is a strong market for dairy and crop product categories. It is also a good market for new to export and emerging exporter companies. This trade show also draws buyers from the regional Asian markets, which match our top and target markets.

The **England outbound trade mission** will help all three product category agribusinesses to be early-movers and better positioned to benefit from the post-BREXIT, U.S.-United Kingdom Free Trade Agreement that is in the early stages of negotiation. This trade mission is expected to be led by Secretary Romanski. The United Kingdom imports nearly two-thirds of its food requirements, mostly from the European Union. There is an opportunity for Wisconsin to capture a greater share of that market. Secretary Romanski and higher officials from Wisconsin leading outbound trade missions provides an opportunity for higher-level government and business meetings. WEDC will provide their experience and knowledge in planning, developing, and deploying high-level outbound trade missions.

Indonesia as an inbound trade mission follows a visit from a high-ranking Indonesian official and is timed to coordinate with the protocols that are being developed to ship livestock into the country. Indonesia has opportunities to grow and is a good place for Wisconsin to gain a greater share of the market.

Year Three, Four, & Five - \$1,000,000 per year

Amount	Item	Companies Impacted
\$780,000	<u>Trade Promotion Activities</u> Trade Show - 3 Outbound Trade Mission - 2 Inbound Mission - 3 Social Media Campaign - 4	Up to 18 Up to 10 Up to 36 Up to 32
\$220,000	IMAG & ExporTech™ Scholarships	Estimate 16

With input from the Export Advisory Council and WEDC, DATCP will determine the type, location, and timing of trade promotion activities in years three through five.

Considerations for Budget Implementation

Federal funding will continue to be leveraged to assist Wisconsin agribusiness companies. While DATCP and WEDC can track how WIAE funds are spent and the value of Wisconsin exports in each product category, there are multiple touchpoints affecting export sales and it is difficult to identify the results from a single activity.

WEDC and DATCP will aggressively promote the IMAG and ExporTech™ scholarships. However, if not all of the funds allocated for these financial supports are utilized, DATCP and WEDC will work with the Export Advisory Council to modify funding levels and reallocate budgeted funds to appropriate trade promotion activities or grants.

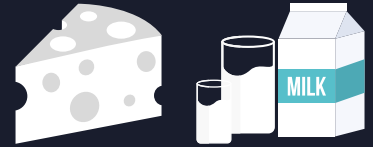
WEDC and DATCP use the most accurate export data available from the U.S. Census Trade Data Set. Products that are processed into a different export product or consolidated for shipment in another state, such as grains, are attributed as an export from that state rather than the state in which they are produced. Examples of this include:

- Wisconsin corn and soybeans consolidated at facilities in Illinois, Iowa, and Louisiana with other state commodities and then exported from the port of New Orleans. These commodities are attributed to Louisiana which is not a major producer of corn or soybeans.
- Pork produced in neighboring states is received by Wisconsin meat processors and exported as sausage and other meat products, which are then attributed to Wisconsin.
- Wisconsin potatoes are often processed in neighboring states and exported as french fries and other finished foods, which are then attributed to neighboring states.

As a result, WEDC and DATCP are unable to capture the full value of the Wisconsin products attributed to a port state. Over the course of the program, we will continue to inform stakeholders and the public about the challenges of the attribution of export products.

WISCONSIN EXPORTS

Dairy and Dairy Products



Wisconsin ranks
4th
in the U.S. for dairy and
dairy product exports.

2020 Exports by Product



More than **90%** of Wisconsin fluid milk is processed into **cheese and whey**, which are Wisconsin's **top** dairy export products.

Wisconsin's dairy export products include cream cheese, cheese, whey products, and milk protein isolates.

Top 10 & Targeted Markets

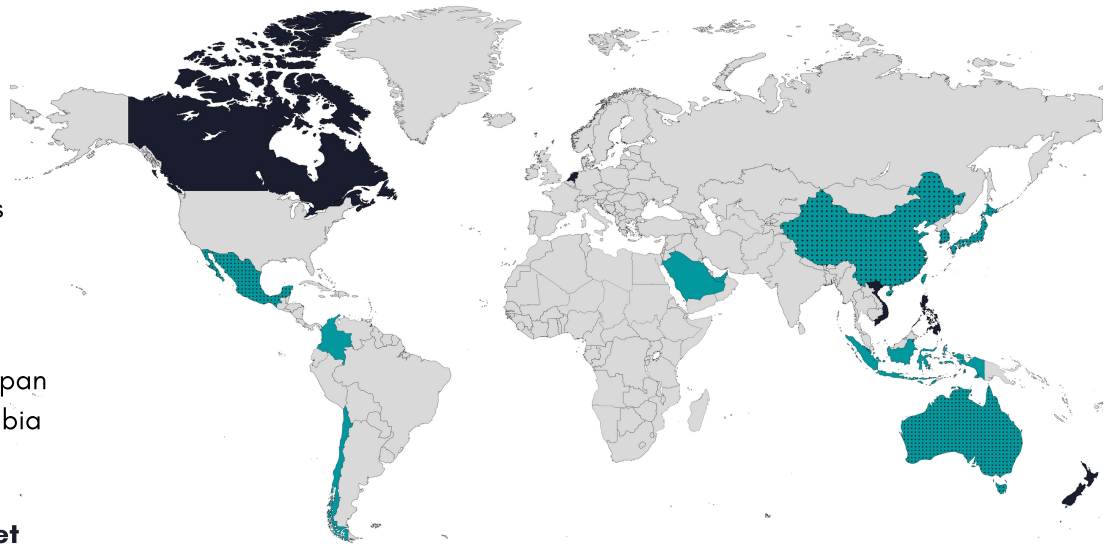
Top 10 Markets

Canada | China | Japan
Korea | Mexico | Vietnam
Philippines | Australia
New Zealand | Netherlands

Targeted Markets

Australia | Chile | China
Colombia | Indonesia | Japan
Korea | Mexico | Saudi Arabia
Taiwan | UAE

Top 10 & Target Market



Strengths

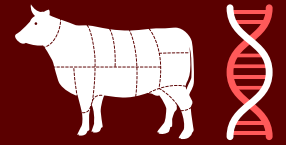
- World renowned dairy products
- Licensed cheesemakers
- Ample milk supply, clean water, and feed
- Abundance of dairy processors

Opportunities

- Dairy ingredients in China & Southeast Asia
- Specialty cheese in Middle East, Asia, & South America
- Commodity cheeses in Latin America
- Improving perception of whey for consumption

WISCONSIN EXPORTS

Meat and Meat Products



Wisconsin ranks
15th
in the U.S. for meat and
meat product exports.

2020 Exports by Product



Meat sausages are Wisconsin's top meat export product. Wisconsin ranks 1st in the U.S. for bovine semen and raw furskin exports.
Wisconsin's meat export products include livestock, meat, sausages, meat offal, fats, oils, bovine semen, furs, and hides.

Top 10 & Targeted Markets

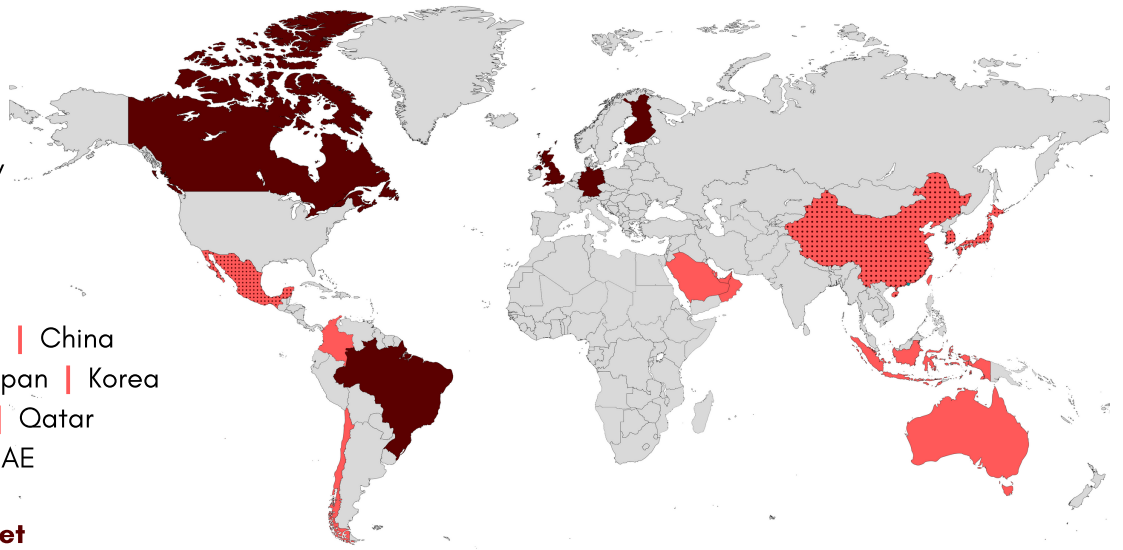
Top 10 Markets

Canada | Japan | Korea
China | Mexico | Finland
United Kingdom | Germany
Brazil | Hong Kong

Targeted Markets

Australia | Bahrain | Chile | China
Colombia | Indonesia | Japan | Korea
Kuwait | Mexico | Oman | Qatar
Saudi Arabia | Taiwan | UAE

Top 10 & Target Market



Strengths

- Master Meat Crafter Program
- Recognized food safety regulations and standards
- Consumer preference for U.S. products
- Strong animal health protocols

Opportunities

- Interest in western food products
- Introductions to new markets
- Country taste research for product innovation
- Global demand for livestock and genetics
- Animal health concerns in other countries

WISCONSIN EXPORTS

Crop and Crop Products



Wisconsin ranks
15th
in the U.S. for crop and
crop product exports.

2020 Exports by Product



Wisconsin ranks **1st** in the U.S. for the export of **ginseng, cranberries (prepared/preserved), and sweet corn (prepared/preserved)**.

Wisconsin's crop export products include vegetables, fruits, nuts, prepared cereals, sauces, lumber, and more.

Top 10 & Targeted Markets

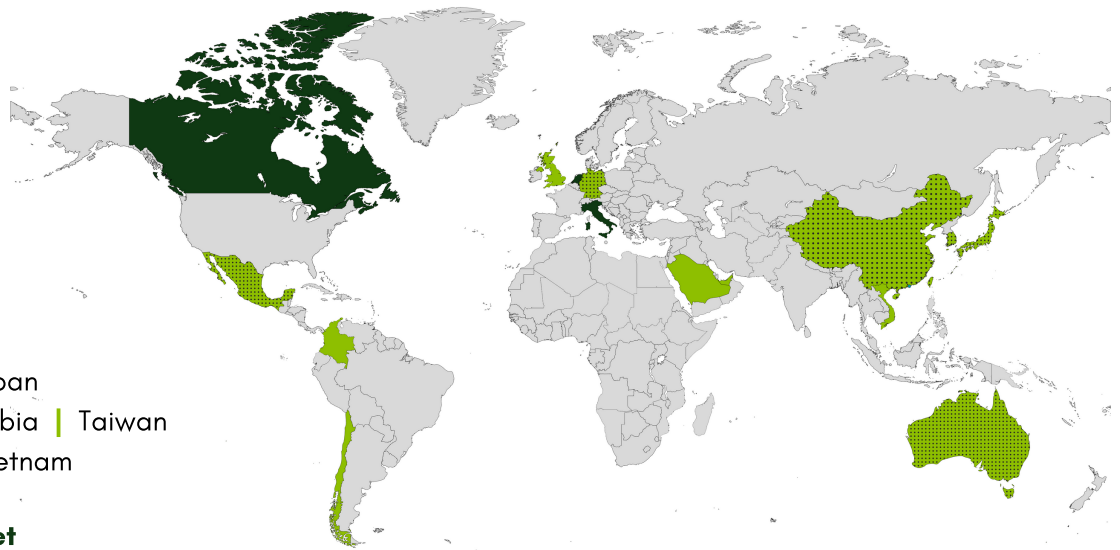
Top 10 Markets

Canada | China | Mexico
Italy | Germany | Korea
Netherlands | Japan
Taiwan | Australia

Targeted Markets

Australia | Chile | China
Colombia | Germany | Japan
Korea | Mexico | Saudi Arabia | Taiwan
UAE | United Kingdom | Vietnam

Top 10 & Target Market



Strengths

- Diverse, high quality products and company sizes
- Recognized food safety regulations and standards
- Organic options for many raw products
- Consumer preference for U.S. products

Opportunities

- Trade promotion initiatives for select products
- Increase the amount and range of product sold
- Free Trade Agreements in the UK, Japan, and China
- Strong demand for Wisconsin feed products in Asia, Africa, and Latin America