



## Legislative Fiscal Bureau

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August 16, 2022

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Agriculture, Trade and Consumer Protection: Section 13.10 Request for the Wisconsin Initiative for Agricultural Exports -- Agenda Item IV

### REQUEST

On July 19, 2022, the Department of Agriculture, Trade and Consumer Protection (DATCP) requested a transfer of \$558,400 in 2022-23 from the Joint Committee on Finance's general purpose revenue (GPR) supplemental appropriation to the appropriation for agricultural export promotion activities under s. 20.115 (3) (b) of the statutes. The request fulfills a requirement of 2021 Wisconsin Act 92 requiring DATCP to request a second release of supplemental funding under s. 13.101 of the statutes for the program no later than October 1, 2022.

### BACKGROUND

The International Agribusiness Center (IAC), housed in the DATCP Division of Agricultural Development, provides technical expertise, market research, and market development initiatives to establish trade-enhancing partnerships and grow 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 Act 92 established the Wisconsin Initiative for Agricultural Exports (WIAE) administered by DATCP within the IAC and in cooperation with WEDC. 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 at 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.

DATCP previously had a rural development loan program fund that was financed by federal funding and was 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. The appropriation has an available balance of \$883,200, and 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.

On May 4, 2022, DATCP held the first meeting 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.

## **ANALYSIS**

### **WIAE Allocations to Date**

Following the release on funding in February, 2022, DATCP allocated a majority of funding under WIAE to grants for both the International Market Access Grant (IMAG) program, administered by WEDC, and DATCP Export Expansion Grants. DATCP also has participated in multiple trade shows, buyer missions, and other promotion activities. Table 1 shows the funding allocated to date by activity and by fund source. Each activity is described briefly in the following sections. DATCP estimates that 158 companies would be impacted by trade promotion activities and grant awards in 2021-22.

**TABLE 1**

**Wisconsin Initiative for Agricultural Exports -- 2021-22 Funding Allocations**

<u>Category/Activity</u>	<u>GPR</u>	<u>PR</u>	<u>Total</u>
Export Expansion Grants	\$287,500	\$277,100	\$564,600
International Market Access Grants	90,000	20,000	110,000
China Dairy Expo (China)	50,000	0	50,000
Other Trade Promotion	37,600	0	37,600
VIV Europe Show (Netherlands)	30,700	0	30,700
FONA Holstein Show (Mexico)	7,000	0	7,000
International Dairy Deli Bakery Association Show (Georgia)	6,000	0	6,000
Training/Memberships/Other	<u>5,800</u>	<u>0</u>	<u>5,900</u>
Total	\$514,600	\$297,100	\$811,800

DATCP reports a total of \$514,600 GPR provided to WIAE in 2021-22 was committed in the following amounts per product category: (a) \$54,100 on dairy and dairy products; (b) \$201,000 on meat and meat products; (c) \$252,500 on crop and crop products; and (d) \$7,000 pending product sector classification. (Dairy-related activities do not include those allocated from PR.) DATCP plans to utilize the remaining \$43,800 in the continuing appropriation in early 2022-23 for trade promotion events and completing activities that have already been planned.

*Export Expansion Grants.* DATCP implemented the Export Expansion Grant Program to support grants of up to \$50,000 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. On June 24, 2022, DATCP announced 13 awards from \$25,000 to \$50,000, and matching funds are required at 20% of the grant. The total amount awarded for Export Expansion Grants was \$564,600. (Six of the awarded projects are being funded by the rural development PR, accounting for \$277,100 of the total.)

*International Market Access Grants.* On June 30, 2022, DATCP and WEDC announced 11 agribusinesses would be awarded \$10,000, or \$110,000 cumulatively, in International Market Access Grants with 2021-22 funding. International Market Access Grants are administered by WEDC and 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. (Two of the awarded projects are being funded by the rural development loan repayment PR, accounting for \$20,000 of the total.)

*Other Activities.* In addition to grant funding, 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. DATCP provided exporter training in March 2022 to Wisconsin-based forestry products companies who are new to exporting, and the training served 40 participants.

### **Proposed Allocation of Requested Funds**

Table 2 summarizes DATCP's intended use of requested GPR funding in 2022-23. The table shows how funding would be allocated to both trade promotion activities (\$248,400) and grants and scholarships (\$310,000) in 2022-23. The new trade promotion activities planned in 2022-23 include two trade shows, two inbound trade missions, and an outbound trade mission. Total projected commitments for 2022-23 are \$558,400.

**TABLE 2**

### **Wisconsin Initiative for Agricultural Exports -- Proposed 2022-23 Funding Allocations**

<u>Purpose</u>	<u>Amount</u>
<b>Grants and Scholarships</b>	
Export Expansion Grants	\$200,000
International Market Access Grants	100,000
ExporTech Scholarship	<u>10,000</u>
Grants Subtotal	\$310,000
<b>Trade Promotion Activities</b>	
United Kingdom Outbound Trade Mission	\$95,000
GulFood	51,000
VIV Asia	51,000
Inbound Buyer Mission -- Food	25,700
Inbound Buyer Mission -- Wood	<u>25,700</u>
Trade Promotion Activities Subtotal	\$248,400
<b>Total Proposed Commitments</b>	<b>\$558,400</b>

The ExporTech scholarship program would support \$10,000 in 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 ten companies and there are approximately four ExporTech sessions per year. The next available session is to be held virtually beginning in late August and continuing through early November.

GulFood and VIV Asia are major trade shows that draw buyers from top target markets across all three product WIAE categories (meat, dairy, and crops). DATCP anticipates the participation of five Wisconsin companies in each of these trade shows. The wood inbound buyers mission and the food inbound buyers mission are two inbound trade missions that will take place in spring 2023. DATCP anticipates the participation of eight companies across all three product categories at these inbound trade missions. The United Kingdom outbound trade mission will also take place in 2023, helping all three product category agribusinesses. This mission will be led by the DATCP Secretary

and is expected to involve eight Wisconsin companies.

DATCP and WEDC appear to have administered 2021-22 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 2022-23 funding similarly appear to align with the WIAE strategy and are consistent with the provisions of Act 92. As such, the Committee could approve the funding request [Alternative 1].

The Committee could also deny funding [Alternative 2]. DATCP could request release of supplemental funding later in 2022-23. Without the GPR supplement, it is likely WIAE funding would be limited to existing appropriations for the IAC and rural development PR balances, which are only allocable to dairy promotion. DATCP would not have sufficient existing resources to support activities and grants proposed for 2022-23 funding.

## **ALTERNATIVES**

1. Approve the request to transfer \$558,400 GPR in 2022-23 from the Joint Committee on Finance's supplemental funding appropriation under s. 20.865(4)(a) to the Department of Agriculture, Trade and Consumer Protection appropriation under s. 20.115(3)(b) for agricultural export promotion activities.

2. Deny the request.

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