

**MICHIGAN AGRICULTURAL EXPORTS  
by Craig Thiel, Fiscal Analyst**

---

**Introduction**

International trade is vital to the U.S. agriculture industry. Approximately 20% of all farm production in the United States finds its way into export channels, either as raw commodities or in the form of consumer foods, also called "value-added" products. The total value of U.S. agricultural exports declined from an all-time high in 1996 of \$59.9 billion to an estimated \$50 billion in 2000. Despite the decline in total agricultural exports over the last four years, exports of consumer foods have nearly doubled in the past 10 years, from \$10.5 billion in 1990 to \$20.3 billion in 1999. This doubling has overshadowed increases for bulk and intermediate products during the same time, boosting consumer foods to 41% of all U.S. agricultural exports.

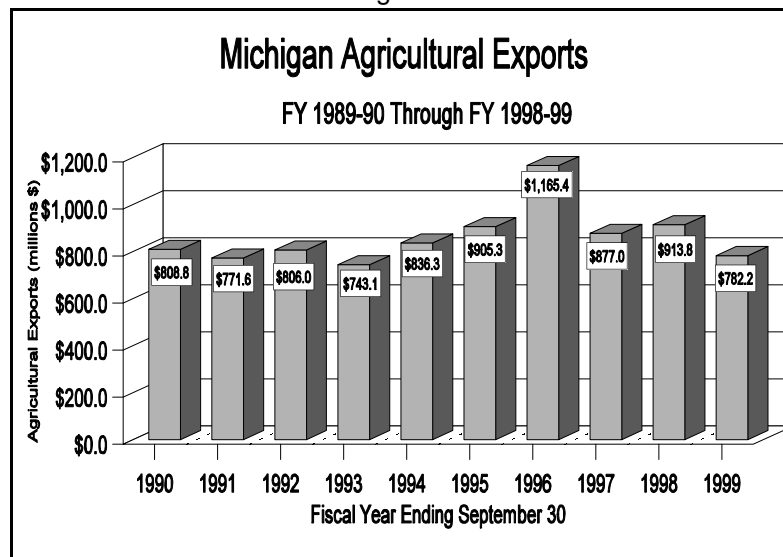
The Michigan Department of Agriculture (MDA) works on a number of fronts, independently and collaboratively with the Michigan Economic Development Corporation, to provide various services to Michigan agricultural producers participating in foreign markets. Prior to fiscal year (FY) 1999-2000, the MDA did not provide direct financial assistance to Michigan producers trading in foreign markets; instead, this was the role of various programs administered by the U.S. Department of Agriculture (USDA). In FY 1999-2000, the Legislature initiated and the Governor approved a new \$100,000 appropriation to the Michigan Department of Agriculture, Office of Agricultural Development for agricultural export assistance grants. To date, the funding has been used to provide assistance grants to 11 Michigan agricultural organizations and leverage an additional \$335,000 in Federal/private funding. Based on the initial response to the Export Market Development Assistance Program, the FY 2000-01 budget doubled the original \$100,000 appropriation.

**Background**

Nationally, U.S. agricultural exports are forecast to rise \$1.0 billion for a total of \$50.0 billion in FY 1999-2000, the first annual increase since FY 1995-96, when exports reached an all-time high (\$59.9 billion). The Asian financial crisis, turmoil in the former Soviet Union, record crop production worldwide, and the strength of the U.S. dollar overseas all contributed to the decline in U.S. agricultural exports during this time. The trend for Michigan agricultural exports has mirrored that of total U.S. agricultural exports.

Figure 1 demonstrates that Michigan agricultural exports totaled \$782.2 million in FY 1998-99, a decrease of 14.4% from FY 1997-98 levels. Export levels in 1999 were below those of 10 years ago. Michigan agricultural exports peaked in FY 1995-96 at \$1,165.4 million. In FY 1998-99, Michigan ranked 22<sup>nd</sup> among all states in the value of its total agricultural exports. Michigan also ranked 5<sup>th</sup> and 7<sup>th</sup> nationally in its value of vegetable exports (\$132.7 million) and fruit exports (\$91.5 million), respectively.

Figure 1



Agricultural exports are an important component of the Michigan farm economy. Exports help diversify markets to enhance economic stability, expand acres in production, increase sales, and maintain healthy prices in domestic markets. The estimated increase in world demand and the trend toward trade liberalization have increased the opportunity to export Michigan agricultural products overseas.

**Source:** U.S. Department of Agriculture

### **Michigan Export Market Development Assistance Grants**

---

Michigan's agricultural industry is characterized by the diversity of food produced, second only to California. This diversity serves as both a blessing and a curse when Michigan producers seek overseas markets for their agricultural products. Agricultural diversity can allow Michigan producers to fill "niche" or unique export markets, but it can also limit participation in markets when large volumes are needed and smaller producers are unable to meet the demand. The Michigan Export Market Development Assistance Program was created to assist Michigan producers to take advantage of existing Federal export assistance programs and increase Michigan's position in international markets.

The Michigan Export Market Development Assistance Grant program was initiated in the FY 1999-2000 Michigan Department of Agriculture budget with an appropriation of \$100,000. The legislation providing these funds specified that the appropriation had to be used to leverage funds available through Federal export market development programs; however, the MDA has allowed organizations to provide a private match in lieu of Federal funds. The minimum grant proposal is \$5,000 and must be matched at least 1:1 with Federal/private resources. The MDA has made the State grant funds available on a competitive basis and has recommended the following Federal programs administered by the USDA to match State funds:

- 1) **Market Access Program:** Helps producers and processors finance promotional activities.
- 2) **Emerging Market Program:** Provides assistance such as market research and feasibility studies to exporters in emerging markets.
- 3) **Federal State Market Innovation Program:** Provides matching funds to conduct marketing studies or assist in developing innovative approaches to the marketing of agricultural products.
- 4) **Cochran Fellowship Program:** Provides short-term U.S.-based training in agricultural business practices, economic policies, food retailing, and other areas to importers from developing countries.

The MDA announced the availability of the grants in November 1999. Grant proposals were evaluated on a variety of criteria, including projected sales increases, expected benefit to agricultural producers, and the level of industry match. It is estimated that the \$100,000 in State funds will be matched over three times by Federal and industry funds. To date, the \$100,000 has successfully leveraged \$225,000 in Federal export resources and has secured additional private investment approximating \$109,000. [Table 1](#) lists the FY 1999-2000 Export Market Development Assistance Grants.

Based on the initial positive response to the first round of export assistance grants, the Legislature doubled the Export Market Development Assistance Grant appropriation in the FY 2000-01 budget to \$200,000. In FY 2000-01, the MDA plans to increase participation in the program by working with industry to identify other Federal export assistance programs and developing new and unique ways to leverage available Federal and private resources.

Table 1

<b>FY 1999-2000 Michigan Export Market Development Assistance Grants</b>				
<b>Organization</b>	<b>Grant Purpose</b>	<b>Grant Award</b>	<b>Private Match</b>	<b>Federal Match</b>
MI Agricultural Commodity Marketing Association	Conduct seminars for baking industry in Taiwan on uses of dried fruit.	\$8,000	\$2,400	\$8,000
Cherry Central Coop.	Promote dried blueberries in Japan.	\$10,000	\$16,000	\$10,000
MI Vegetable Council	Promote pickles in Korea.	\$5,000	\$2,500	\$23,000
United Dairy Industries	Integrate Michigan specialty dairy processors in U.S. Dairy Export Council activities.	\$10,500	\$10,500	\$105,000
Grape & Wine Industry Council	Germany trade show.	\$8,000	\$0	\$15,000
MI Bean Commission	Trade seminars in Central America.	\$7,500	\$0	\$11,250
MI Cherry Committee	Promote cherries in Germany.	\$19,000	\$38,000	\$0
MI Apple Committee	Promote apples in Israel.	\$5,000	\$5,000	\$0
MI Apple Committee	Promote apples at Americas Food and Beverage Conf.	\$12,000	\$0	\$12,000
MI Integrated Food & Farming Systems	Feasibility study of Internet food marketing.	\$5,000	\$29,250	\$36,900
MI Potato Commission	Trade seminars in Central America.	\$5,000	\$5,000	\$0
MI Cranberry Council	Trade seminar in Japan.	\$5,000	\$0	\$5,000
<b>Estimated Totals</b> .....		<b>\$100,000</b>	<b>\$108,650</b>	<b>\$226,150</b>

**Source:** Michigan Department of Agriculture

**Conclusion**

Will Michigan's export assistance grants generate additional sales, increase the number of acres planted, or increase prices paid to producers? It may be some time before anyone knows the economic impact of the assistance grants on Michigan exporters and producers. Grant recipients are required to monitor and report to the MDA the economic impact of projects funded with grant funds for five years after implementation. In the short-term, the benefits of the State export grants include leveraging, many times over, available Federal and private funds; fostering relationships between Michigan producers and foreign importers; and increasing the already diverse Michigan agriculture industry.