



## *Trade and Agriculture* **What's at Stake for Wisconsin?**

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Wisconsin is a major producer and exporter of agricultural products. In 2007, the State's cash farm receipts totaled \$8.8 billion. Wisconsin ranked 13th among all 50 States in 2007 with agricultural exports estimated at \$2.1 billion. Agricultural exports help boost farm prices and income, while supporting about 22,380 jobs both on and off the farm in food processing, storage, and transportation. Exports remain important to Wisconsin's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 24 percent in 2007.

Wisconsin's top five agricultural exports in 2007 were:

- dairy products -- \$583 million
- feed grains and products -- \$370 million
- soybeans and products -- \$221 million
- live animals and meat -- \$173
- hides and skins -- \$166 million

World demand for these products is increasing, but so is competition among suppliers. If Wisconsin's farmers, ranchers, and food processors are to compete successfully for the export opportunities of the 21st century, they need *fair trade* and *more open access* to growing global markets.

### **How Trade Agreements Benefit Wisconsin Agriculture**

Under the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR), a two-track approach will be established for dairy products with the objective of achieving free trade within 20 years. The first step is the establishment of reciprocal duty-free tariff rate quotas (TRQs). The second and concurrent step involves the immediate elimination of in-quota tariffs on dairy products. U.S. dairy products shipped to Central America face a range of different TRQs and import tariffs as high as 65 percent. From 2001 through 2003, U.S. suppliers annually shipped on average 17,880 metric tons of dairy products valued at \$44.1 million to all six countries combined.

Wisconsin, a large feed corn producer, benefited under the NAFTA when Mexico converted its import licensing system for corn to a transitional tariff-rate quota that will remain in effect until 2008. Under this system, the volume of U.S. corn exports to Mexico has risen over 42 percent since 1994, reaching 120 million bushels valued at \$585 million in 2002.

## **Export Success Stories**

From 1992 to 2003, USDA market development funds made possible the export of over \$9 million of dairy cattle from Wisconsin through participation by U.S. Livestock Genetics Export Inc., supported events such as the CIGAL Dairy Conference and the Queretaro Mexico Holstein Show. Many of the sales were made in direct competition with alternative suppliers in Canada. At the 2003 CIGAL Dairy Conference, the Wisconsin State Department of Agriculture was able to gain \$250,000 in immediate sales of replacement dairy cattle to Mexico.

A Wisconsin meat company was able to break into the Mexican retail market with its sausage products because of USDA's market development programs. The company's participation in a trade show in Guadalajara was key to identifying and meeting key potential buyers.

U.S. suppliers of whey products have never been able to penetrate the Chinese market due to New Zealand and European domination. Since 1996, using a mix of USDA market development programs, the U.S. Dairy Export Council has conducted programs to educate Chinese buyers on U.S. quality whey products. As a direct result of these activities, China began buying whey from the United States. From 2000 to 2003, U.S. exports increased 189 percent in value terms to more than \$24 million. Wisconsin, the second largest dairy exporter with 21 percent of all U.S. dairy exports, is benefiting from this success.

In 2002, Badger State Ethanol began operating as an ethanol production facility out of Monroe, Wisconsin. A year and a half after their start, the company realized in order to be successful; they needed to develop an export market for distillers' grains with solubles (DDGS). Badger State Ethanol participated in meetings set up by the Wisconsin Department of Agriculture, Trade, and Consumer Protection (DATCP) at World Dairy Expo, which allowed them to establish contacts in foreign countries.

In three years, Badger State Ethanol went from shipping an occasional 1,500 ton barge load of distillers' to consistently shipping 5,000 tons per month (about 35 percent of monthly production) into the export market. Currently, Badger State Ethanol ships distillers' to Mexico, South Korea, Taiwan, Japan, Vietnam, Philippines and Thailand. The growth in export sales is due to Badger State Ethanol pairing trading companies with foreign country representatives based in the U.S. The export business has enabled Badger State Ethanol to manage the distiller's inventory more efficiently, leading to an increase in their revenue. Ultimately, Badger State Ethanol's success allows more countries to look to the State of Wisconsin as a source of high quality goods.