FARM BILL IMPACT: TRADE

CALIFORNIA STATE BOARD OF FOOD & AGRICULTURE

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FARM BILL IMPACT: TRADE MAP & FMD

- Previous Farm Bill authorized funding as follows:
  - Market Access Program (MAP) at **$200 million**
  - Foreign Market Development (FMD) at **$34.5 million**
- **MAP**:
  - Administered by USDA's Foreign Agriculture Service (FAS)
  - Forms a **highly successful partnership** between non-profit US agricultural trade associations, farmer cooperatives, small businesses and USDA to **share the costs** of international marketing and promotional activities
- **FMD**:
  - Benefits producers, processors and exporters by assisting in developing **new foreign markets** and **increasing market share** in existing markets
- MAP and FMD are **distinct, separate programs** that address different aspects of market development and promotion and are examples of some of the **most successful public-private partnerships**

FARM BILL IMPACT: TRADE MAP & FMD

- It is critical that Congress come together to pass a new Farm Bill in its lame duck session. Action is essential to **avoid undermining export opportunities** for non-profit US agricultural trade associations, farmer cooperatives, non-profit state regional trade groups and other small business job creators.
    - Even though the cooperating organizations fund most of the work, loss of the federal investment would **seriously compromise critical day-to-day export market development and promotion activities** in the face of determined foreign competition
    - Without funding through MAP and FMD, it won't be long before programs are seriously curtailed, **putting American farmers and workers at a substantial competitive disadvantage in the international marketplace**. Over time, farm and ranch income will be negatively impacted.

FARM BILL IMPACT: TRADE MAP & FMD

- Abandoning public support for agricultural export market development will hurt our rural economy badly. America will likely start to lose jobs if a Farm Bill that includes authorization of agricultural export promotion programs is not passed in 2012

  - **Every billion dollars in U.S. agricultural exports creates 8,400 American job.** Any export losses will slow our economic recovery. When farmers are doing well, their products generate revenue for the U.S. through exports and they put money back into the local economy.

  - **These programs work**. U.S. agricultural exports are projected to be nearly $137 billion with a trade surplus of $30 billion in FY 12.

  - According to a study by IHS Global Insight, MAP and FMD increased cash receipts for U.S. farmers and ranchers by $4.4 billion annually, and **boosted farm income by about $1.5 billion** each year between 2002 and 2009.

  - The same study estimated that by helping to increase overseas demand through MAP and FMD, **farmers received better prices for their crops**, thereby reducing farm payments and saving the American taxpayer about $54 million every year.

FARM BILL IMPACT: TRADE MAP & FMD

- A failure to support export market development tells our competition that America is not willing to compete in rapidly growing international markets where U.S. agriculture **still faces heavily subsidized foreign competition**.

  - MAP and FMD **connect tens of thousands** of non-profit U.S. agricultural trade associations, farmer cooperatives, non-profit state-regional trade groups and other small business **job creators to the international marketplace**, something that would be nearly impossible for small agricultural organizations and millions of farmers and ranchers to do on their own.

  - At the same time, **competitors** like Russia, China, the European Union, Australia, Argentina and Brazil support export promotion and market development with total spending that already **far exceeds U.S. public and private investment**.

  - About **95 percent of the world's consumers live outside the United States** and we are seeing **demand for high quality agricultural** commodities and products explode in developing nations that cannot produce enough food to keep up with demand.

FARM BILL IMPACT: TRADE MAP & FMD

- In our current economic situation, it is critical that we not undermine farm and rural incomes by abandoning **some of the most successful public/private programs in the U.S. government.**

  - MAP and FMD funds are **awarded on a cost share basis** to non-profit U.S. agricultural trade associations, farmer cooperatives, non-profit state-regional trade groups and other small business job creators that sell U.S. agricultural products in foreign markets.

  - **These programs are not corporate welfare**. USDA reports that these organizations **contribute about 60 percent** of the total costs involved in market development and promotion. While government is an important partner, **private enterprise is taking the lead in many of these efforts**.

  - A recent report by IHS Global Insight showed that the increase in market development spending by government and industry during the 2002-09 period through MAP and FMD considerably increased U.S. export market share, **resulting in $35 in agricultural export gains for every additional dollar invested in these programs--an outstanding 35 to 1 return on investment.**

FARM BILL IMPACT: TRADE MEDIA STATEMENT

It is critical that Congress comes together to pass a new Farm Bill in its lame duck session. Action is essential to avoid undermining export opportunities for non-profit U.S. agricultural trade associations, farmer cooperatives, non-profit state-regional trade groups and other small business job creators. The existing Farm Bill expired Sept. 30 so the U.S. Department of Agriculture's (USDA) Foreign Agricultural Service (FAS) has no authorization to run market development programs for fiscal year (FY) 13. In spite of an effort by FAS to extend FY 12 funding as long as possible, money for MAP and FMD will end for many cooperators early in 2013. Without these programs our rural economy will suffer and America will lose jobs because our competition will know that America is not willing to compete in rapidly growing international markets. It is critical that we not undermine farm and rural incomes by abandoning some of the most successful public/private programs in the U.S. government.

Wine Institute Export Program Overview

Global Wine Competitive Set

CALIFORNIA WINES

Wines of Argentina

WINES OF CHILE
VINOS DE CHILE

Wine Australia

Wines of South Africa

NEW ZEALAND WINE
PURE DISCOVERY

WINES from SPAIN

France
WINES OF FRANCE

California Wine Export Program

International Marketing

- Since 1985, Wine Institute has served as the administrator of the **Market Access Program**, an export promotion program managed by the USDA's Foreign Agriculture Service
- More than **150 California wineries** currently participate in the Wine Institute's International Program
- Wine Institute's promotional campaigns for California wine help develop markets in more than **25 countries**. We provide support and guidance to wineries that export by:
  - Maintaining **trade representation** in 15 countries to provide critical market information and promotional assistance
  - Organizing California's participation in international wine **trade shows**
  - Facilitating California wine **promotions in both retail** and **on-premise** (restaurant) accounts
  - Hosting trade, media and consumer **tastings** in more than 15 countries each year
  - Encouraging coverage by top wine, food and lifestyle writers through an international media outreach effort and an active schedule of California **wine country visits** by foreign trade representatives.
- Membership in the California Wine Export Program is funded by both the USDA's Foreign Agriculture Service and industry contributions

California Wine Export Program

Wine Institute MAP Funding

USDA Foreign Agriculture Service (FAS) – Market Access Program

- **$7 million** for July 2012 – June 2013 program year
- Supports California Wines programs in more than 25 countries worldwide
  - 15 International Representative Offices
  - California Wine Fairs in Canada – 9 Cities
  - European Spring Tour & Prowein Trade Show
  - California Wine by-the-glass program in Japan
  - Trade missions to emerging markets like China, South Korea & Mexico
  - Awareness building campaign in China
  - Trade & media visits to California
- New Farm Bill is critical to our continued export success

California Wine Export Program

27 Target Countries

Ranked by 2010 U.S. Wine Export $

- United Kingdom *
- Canada
- Hong Kong
- Japan
- Germany *
- China
- France *
- Switzerland *
- Belgium *
- Mexico
- Denmark *
- Poland *
- Netherlands *
- Sweden *
- South Korea
- Singapore
- Taiwan
- Russia *
- Vietnam
- Malaysia
- Ireland *
- Finland *
- Norway *
- Brazil
- India
- Costa Rica
- Austria

**** Inter-European sales transfers prevent the accuracy of European country-level export data***

Trade Show Booths

Strong link to California's aspirational lifestyle – connecting with California as a world-class winemaking region

Trade & Media Visits to California

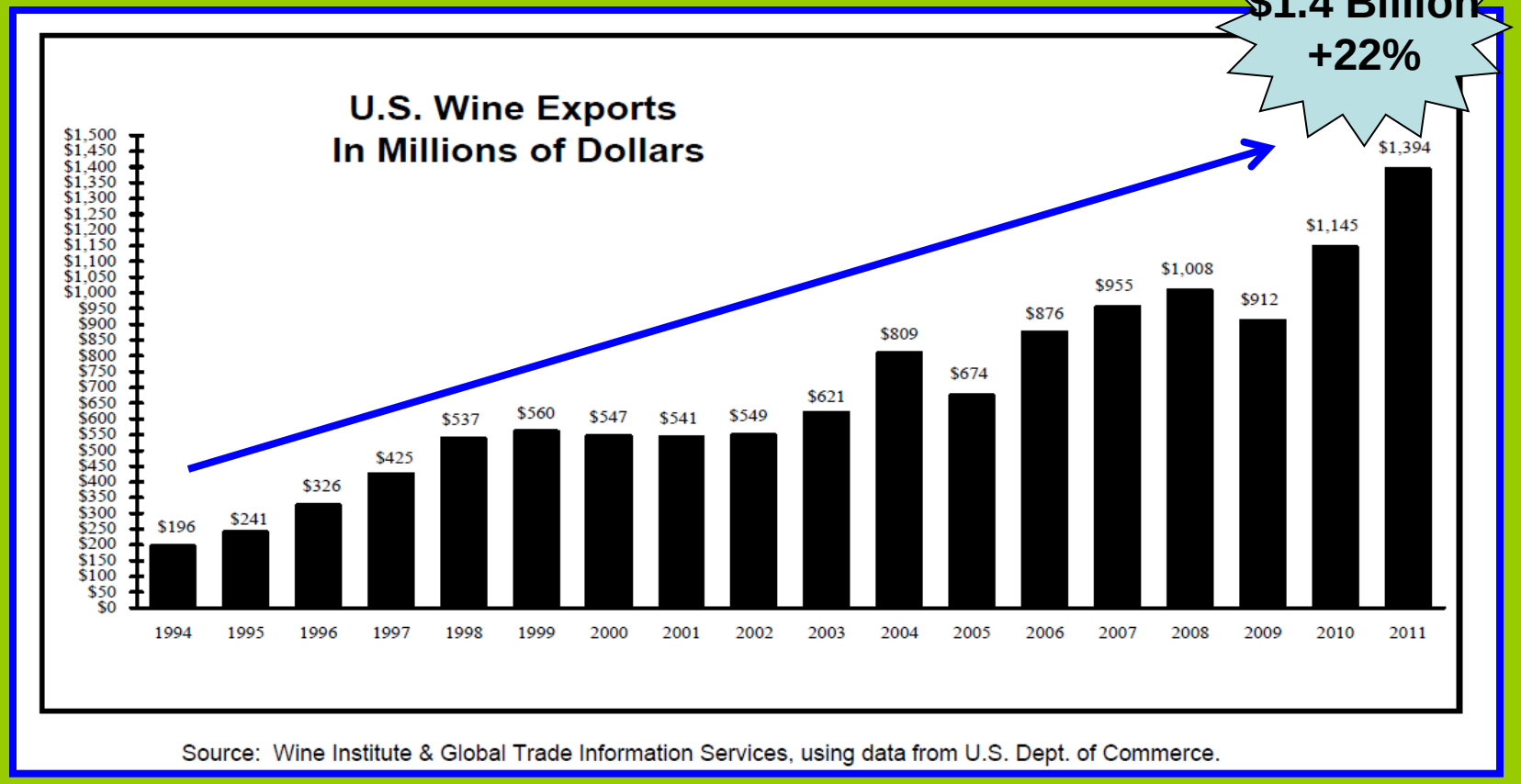
25+ Groups & 150+ guests in 2011 from more than 15 countries

- Creating “California Wine Ambassadors” throughout the world

U.S. Wine Exports

Steady Growth Pattern for CA Wine Exports

$ Millions



Source: Wine Institute & Global Trade Information Services, using data from U.S. Dept. of Commerce.

More than 90% of U.S. Wine exports are from California

In 2011, U.S. wine exports were up 22% in $ value and 6% in volume

U.S. Wine Exports by Region - 2011

Country	2011 $ Exports ($000)	% change
European Union Total	$477,643	+9.8%
Canada	$379,400	+23.2%
Hong Kong	$162,972	+38.7%
Japan	$105,432	+38.9%
China	$62,131	+42.0%
Switzerland	$25,022	+4.2%
Vietnam	$21,263	+266.1%
Mexico	$18,518	+0.8%
Macau	$15,375	+78.4%
South Korea	$12,635	+13.1%
Other Countries	$113,155	+16.7%
World Total	**$1,393,549**	**+21.73%**

Source: U.S. Dept of Commerce, STAT-USA. Copyright: California Wine Export Program. Preliminary numbers. History revised. ***All totals include re-exported wines.**

China-Specific Tools

Wine Institute Programming in China

- Global branding campaign
- First-ever California Wines advertising in China
- Retail and On-premise promotions
- Educational seminars
- Consumer events
- Trade Missions to China to 1st and 2nd tier cities
- Vinexpo Asia Pacific in Hong Kong – May 2012
- Hosting top trade and media guests in California wine country

Brochure – Simplified Chinese

Highlights the diversity, quality and value of California Wines by focusing on winegrowing regions, varietals, sustainability, and food & wine pairings.

China: New Web Site & Social Media Campaign (Sina Weibo & Renren)

DiscoverCaliforniaWines.com.cn

http://Weibo.com/cwichina

DISCOVER CALIFORNIA WINES CHINA VIDEO

http://www.youtube.com/watch?v=OBU8CkBb_cw

Virtual Tasting– Shanghai Media

Video Conference – winemakers in San Francisco, media in Shanghai

Provided depth and context to awareness campaign

Hong Kong Vinexpo, China Tour

Largest-ever California Winery Delegation – May & June 2012

- **Hong Kong Vinexpo**
  - 120 winery principals
  - 250 wine brands
  - 15,000 visitors
- **China Tour**
  - Shanghai, Wuhan & Beijing
  - 7 consumer, trade & media events
  - 25 delegates, 100 brands

California Wines Video

3 minute introductory video – loop at trade shows, play at beginning of seminars, view on website, available to Export Program member wineries, etc.

DISCOVER CALIFORNIA WINES

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