

STATEMENT BY
FOOD EXPORT ASSOCIATION OF THE MIDWEST USA
AND FOOD EXPORT USA - NORTHEAST
TO THE
SUBCOMMITTEE ON RURAL DEVELOPMENT, RESEARCH,
BIOTECHNOLOGY and FOREIGN AGRICULTURE

UNITED STATES HOUSE OF REPRESENTATIVES

APRIL 7, 2011

Good morning, Mr. Chairman. My name is Tim Hamilton, and I am Executive Director of Food Export Association of the Midwest USA, known as Food Export – Midwest, and Food Export USA-Northeast, known as Food Export – Northeast. These are State Regional Trade Groups that offer services to help U.S. food and agricultural companies promote their products in foreign markets. We commend you, Mr. Chairman, and members of the committee, for holding this hearing to review our agricultural trade programs and wish to express our appreciation for this opportunity to share our views.

The organizations I represent are associations of the 22 Midwestern and Northeastern state departments of agriculture. Like our counterparts in the Western and Southern regions, we work with our member agencies to increase the number of food and agricultural companies that export, as well as to help current exporters increase the volume and value of their export sales. We use funding from the Market Access Program (MAP) in a variety of ways to conduct outreach to these companies, to provide training, technical support and promotional funding to boost overseas sales by small U.S. producers and processors.

We are also members of the Coalition to Promote U.S. Agricultural Exports-a broad-based coalition of over 150 organizations representing farmers and ranchers, fishermen and forest product producers, cooperatives, and small businesses.

At a time when Congress is looking for ways to reduce government funding, we believe we can provide you compelling reasons to continue to fund programs, including the Market Access Program, that help maintain the ability of American agriculture to compete effectively in a highly competitive global marketplace in which many of our foreign competitors enjoy extensive financial support from their own governments.

Our foreign competition would like nothing better than to see the U.S. reduce its support for agricultural exporters. That will enable them to more easily take over our market share. If we reduce support for the Market Access Program, we will watch our overseas market share erode. If that happens, we will be handing these sales, and the jobs they support, to our foreign competition. We can keep these jobs in the U.S., or we can stop promoting our U.S. exports and watch these jobs go overseas. Maintaining

support for U.S. exports will help maintain and grow these jobs in the U.S. If we stop our investment, even for a short time, we will lose market share that will likely never be available to US firms again.

Food Export - Midwest and Northeast and our members focus almost exclusively on assisting small companies, also known as SMEs. Many of these firms are family owned. Most of them are food processors that use agricultural commodities as inputs, which they turn into finished goods for export. Their products vary from snack foods to convenience foods, pet food, beverages, gourmet products, food ingredients, natural and organic products, literally soup to nuts. What they all have in common is that they are made from U.S. agricultural products.

These are companies that have been successful in the domestic market, often for generations, but in most cases they have never considered the export market. In many respects, our U.S. food market is a mature market. Food and agricultural producers are challenged to find growth opportunities here at home. At the same time, emerging markets overseas offer tremendous growth potential for these U.S. producers, if only our companies know about these opportunities and how to take advantage of them.

With our state department of agriculture partners, we work hard to identify such firms that are not currently exporting, and encourage them to consider going international. Even among the firms who are already seeking an international outlet for the products, they are uncertain how to proceed. Small firms are often reluctant at first, unsure of how they might be successful doing business in another language, another currency, another culture. We provide education and training to help them identify where their best markets might be, and what hurdles they might need to overcome. We look at what channels might be appropriate, and consider issues like labeling or packaging concerns, tariffs, prohibited ingredients or related challenges.

Once a small company is ready to begin exporting, their first challenge is to find customers-usually importers, distributors or supermarket buyers. We use MAP funds to prepare U.S. companies, and to arrange meetings for them with qualified international buyers. This might be done in the U.S. as part of a Buyers Mission, often at a major trade show, where we make arrangements for a number of U.S. suppliers to meet with foreign buyers. It might be done overseas as part of a Trade Mission, where U.S. companies meet importers of products like theirs. We support more than two dozen such events each year.

I'd like to offer a few examples of how MAP has benefitted specific small firms. Dutch Farms is a small, fourth-generation family-owned firm located in Illinois. They participated in a mission in which we used MAP funds to sponsor key buyers to travel to the U.S. At the mission, Dutch Farms had the chance to meet a buyer from China, who ordered a test-shipment of 2500 lbs. of Dutch Farms' cheese. The firm expects this to

grow to a monthly shipment of 40,000 pounds, valued at \$100,000 per month. MAP funding made that possible.

Churchies is a small specialty food company based in Malvern, Pennsylvania. Their participation in one of our trade missions to Canada introduced them to a broker that became their first international customer ever.

Many international sales contacts are made at trade shows. Food Export – Midwest and Northeast support companies with advance preparation and technical support to make sure that these shows are successful for them. For example, we ensure that they are well prepared with appropriate pricing, and that their materials are translated if necessary. We make sure they have the necessary information about the market for their products, and what potential restrictions or competition they might face. We also work to make sure US firms meet the right foreign customers at the show. By preparing them ahead of time, and offering some technical support at the show, we significantly improve their chances for success.

Food Export – Northeast provided technical support and introductions to buyers at a trade show in Singapore for Sweet Street Desserts, a Pennsylvania based family-owned bakery products company. MAP funding provided the support they needed, resulting in the small company meeting more than 100 new buyers. Soon after, they shipped their first container of frozen bakery products to Singapore, and have begun discussions with potential customers in other Asian countries. Again, MAP funding made that possible.

Another family owned company, this one from Missouri, Diamond Pet Foods used our support which was made possible with MAP funding, to participate at the Interzoo trade show. With that support, they identified customers from India, Australia, the UAE and Qatar, selling a half million dollars in pet food in the first year. These sales help Diamond Pet to remain a stable and growing employer in the small town of Meta, Missouri, as well as a good customer for the agricultural producers in the area.

Once companies have become established in a market, it isn't enough just to have a customer. Like in the U.S., it is essential that they promote those products in these competitive markets. Fortunately, we are able to offer some limited promotional support to help these SMEs get their products established. This support includes advertising, demonstrations, trade show costs, label modifications, etc. These promotional services are made possible through MAP funding, and are provided on a cost-share basis, with companies investing at least 50% of the overall costs. This support is available to the companies for only a limited period of time in any given market: Once their product is established, then it is up to the company to fund its own expenses.

This type of promotional support allowed Preston Farms, an Indiana popcorn supplier, to attend a major trade show in Shanghai, China that they would not have considered otherwise. Their exhibit led to the company's first ever sale of popcorn in China.

According to the company, new export sales have a direct impact on their local economy as the firm contracts additional popcorn acreage from more area farmers.

The Cabot Creamery in Cabot, Vermont was able to use MAP-supported funding to translate the labels on their specialty cheeses from English to Spanish. This allowed the firm to begin exporting to Mexico for the first time. Because Cabot is a farmer- owned cooperative, these new export sales support their producer members located in Vermont and New York. MAP funding made this possible.

During the past year, with support from MAP, Food Export-Midwest and Northeast have assisted 1,186 different firms. These companies reported that they were introduced to more than 18,000 potential new customers because of that support. Further, these firms went on to make their first sale in a new country 642 times. At least 51 of these companies made their first export sale ever this past year. They reported more than \$1.2 billion in new export sales, and project nearly double that in additional sales over the next year. During 2010, these companies reported that they have specifically added 964 new jobs because of this program. Based on our data, we estimate that total new export sales by these firms support nearly 9,736 new or existing jobs.

While the MAP program clearly supports agricultural producers in rural areas, many companies that process these products for export are located in urban areas.

For example: Bassetts Ice Cream calls itself the oldest ice cream company in America. The family-owned firm has been making ice cream in and around Philadelphia for 150 years, using milk and other ingredients from the local area. With promotional support made possible by the MAP program, the firm began selling their ice cream in China in 2008. Over the past three years, their sales have grown from \$50,000 the first year to \$800,000 in 2010. The firm expects this to nearly double, to \$1.5 million, in 2011. According to the firm's international sales team, without this support the firm likely would not have any sales in China right now.

Many of the jobs that are supported by agricultural exports are intrinsically U.S. jobs. They cannot be outsourced overseas. They are tied to farm production in the U.S. The products are grown here, and they are processed here. If we are able to maintain our overseas markets, then these jobs will be held by Americans. If we lose these overseas markets, then we risk losing these jobs to our competitors in China, Europe and elsewhere.

In our work with international customers, we are constantly reminded of the extensive support that our competitor nations are able to offer our customers. Buyers enjoy lavish treatment made possible by support from European or other governments. You can attend just about any major international trade show, where you will see spectacular national exhibits by China, Europe, Chile and many of our other competitors. Even small countries like Taiwan and the Netherlands mount

grand displays, in stark contrast to the U.S. exhibit that is usually modest and spare.

The Market Access Program acts to encourage investment by the private sector. It gives incentives for companies to invest in new markets that they might not otherwise consider. The companies that participated in our programs invested an average of \$2.67 for each dollar in public support. But the international market has additional risks, and the length of time it takes to become successful is longer than for domestic sales. These risks make exporting particularly challenging for small companies. That is why 94% of small U.S. companies do not currently export, and it is why they need encouragement, incentive and support to undertake the process.

Small businesses support half of the jobs in the U.S. So encouraging these small companies to begin or expand exporting has a double benefit. It supports not only the farmers that produce the commodities. It also helps support the jobs in these companies that process these products into finished goods for export – both in rural and urban areas. USDA estimates that each billion dollars of exports supports 8,400 jobs.

It is really in our country's long term best interest to continue efforts to build our exports. For the U.S. economy to grow, not just out of this recession, but to continue to be competitive, we need to produce products that the world wants to buy. U.S. food and agricultural products are recognized around the world for being safe, high quality and innovative. This is a real opportunity for our country.

Every day, we see small U.S. companies entering that global marketplace that they were previously unaware of, or fearful of. And we see these companies being successful-and being innovative. Customizing their products and finding new customers in markets where they never thought they could. And we hear from them day after day, that most of them would not have done it without the support and incentive made possible from the MAP program.

Our nation's exports of food and agricultural products can continue to be a major success story in these otherwise difficult economic times. This is not the time to cut back on these efforts. It is a chance to take advantage of these global opportunities, and provide the support and incentive that companies, including small companies, need to pursue these markets, build sales, and put Americans to work.

Mr. Chairman and members of the committee, I encourage you to support efforts that continue to boost America's food and agricultural exports, including MAP, that support our farmers, our small businesses, and the Americans that produce these outstanding products

Thank you.

Committee on Agriculture
U.S. House of Representatives
Information Required From Nongovernmental Witnesses

House rules require nongovernmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Tim Hamilton
2. Organization you represent: Food Export Assn of the Midwest USA
and Food Export USA - Northeast.
3. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee: Working since 1991 in various capacities
to increase agricultural exports by U.S. Companies,
particularly SME's, in the Midwest and Northeast U.S.
4. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee: BA, Economics, MBA International Business
25 years experience in the food industry,
including 20 years promoting food exports.
5. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold: I am representing the Food Export Association
of the Midwest USA and Food Export USA-
Northeast as their Executive Director

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF
TESTIMONY.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2008.

Name: Tim Hamilton

Organization you represent (if any): Food Export USA - Northeast

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2008, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: _____ Amount: _____

Source: _____ Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2008, as well as the source and the amount of each grant or contract:

Source: USDA/FAS/Market Access Program Amount: 10,598,210

Source: USDA/FAS/Market Access Program Amount: 9,521,334

USDA/FAS/Market Access Program 9,438,788

Please check here if this form is NOT applicable to you: _____

Signature: T. Hamilton

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

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U.S. House of Representatives
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Name: Tim Hamilton

Organization you represent (if any): Food Export Association
of the Midwest USA

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2008, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: _____ Amount: _____

Source: _____ Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2008, as well as the source and the amount of each grant or contract:

Source: USDA/FAS/Market Access Program Amount: 11,627,055

Source: USDA/FAS/Market Access Program Amount: 11,450,757

USDA/FAS/Market Access Program 11,399,217

Please check here if this form is NOT applicable to you: _____

Signature: T. H.

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