WSDA International Marketing Program

FY 2010 Annual Report

WSDA
WASHINGTON STATE
DEPARTMENT OF AGRICULTURE

Building Economic Vitality Through Exports

Washington State Department of Agriculture
International Marketing Program
Annual Report

State Fiscal Year 2010

(July 1, 2009 – June 30, 2010)

Washington State Department of Agriculture
1111 Washington Street SE, PO Box 42560
Olympia, WA 98504-2560
Phone (360) 902-1800 TDD 1-800-633-6388

AGR PUB 200-321 (N/12/10)

Inquiries regarding the availability of this publication in an alternative format should be directed to the WSDA receptionist at (360) 902-1800 or Telecommunications Device for the Deaf 1-800-633-6388.

Table of Contents

A Message From Governor Chris Gregoire 3

A Message From Director Dan Newhouse 5

Executive Summary 6

Building Economic Vitality Through Exports 7

Exceptional Sales Success 8

Sustaining Mature Markets, Accelerating Emerging Opportunities 9

How WSDA Helps Washington Companies Expand Exports 14

Washington Agriculture — Dependent on Trade 18

The Challenges Ahead 20

Notes and References 22

Appendix A — Program Contacts 23

Appendix B — Export Promotion Activities 24

Appendix C — Advisory Committee Members 26

Appendix D — Agricultural Commodity Commissions 27

A Message from Governor Chris Gregoire

Agriculture is one of Washington's most important industries, and the export of this bounty is critical to the vitality of our state's economy. **In 2009, agricultural exports from Washington reached $10.9 billion.**

This ongoing success results from the tremendous work of growers, processors, exporters and commodity commissions, as well as key partners such as the Washington State Department of Agriculture (WSDA). Since 1998, the WSDA International Marketing program has assisted Washington companies in exporting $765 million of food and agricultural products.

My Administration continues to work hard to strengthen our state's food industry. Expanding agricultural sales contributes enormously to a strong economic future for Washington. I lead trade missions that include agricultural leaders to develop opportunities that will make Washington more competitive in the global market. I also welcome foreign dignitaries to our state to highlight our quality crops and products and build long-term relationships.

In order to be globally competitive, we must think of Washington not as a state, but as a small nation. Our strategy must take into consideration both the potential opportunities and the real challenges faced by the agricultural industry. Everywhere in the world, Washington agricultural products are known for their quality. We need to capitalize on that international awareness and do what's necessary to get agricultural products through our transportation system and into the homes of the world.

Washington has long been a leader in international trade. Export sales not only bring direct revenue to producers and processors, but also support and stabilize prices for those who market domestically. When the agriculture and food industry prospers, so do our workers and communities. We are optimistic that through the efforts of our dedicated farm families and food producers, agriculture will continue to be one of the strongest and most productive industries in our state.

Sincerely,

Chris Gregoire

Chris Gregoire
Governor

A Message from Director Dan Newhouse

I am pleased to present the fiscal year 2010 Annual Report of the Washington State Department of Agriculture's (WSDA) International Marketing program. **WSDA's International Marketing program helps our food and agricultural companies — large and small — find new markets and opportunities in the increasingly globalized economy.** We work in close partnership with companies and industry associations to uncover, engage and make the most of market opportunities worldwide.

The International Marketing program has trade specialists in Eastern and Western Washington who directly assist individual companies and work with industry organizations. We also have contract representatives in Japan, Taiwan and China who are experts in the export and marketing of our food products in those markets.

This marketing program is a critical part of WSDA's broader efforts to strengthen and nurture Washington's economy. Our goal is to ensure a safe, wholesome and high-quality food supply and to create and foster opportunities that strengthen Washington's farming communities. Our efforts particularly benefit rural Washington where food and agriculture are the core private-sector employers.

Washington's food and agriculture industry contributed an estimated $35 billion to the state's economy in 2009. Agriculture is the state's largest employer with workers employed on farms and ranches or in processing plants, fruit packing warehouses, fertilizer manufacturers and many other related businesses.

After reviewing this report, I hope that you will agree that our state receives a significant return on its investment in the WSDA International Marketing program.

Sincerely,

Dan Newhouse
Director

Executive Summary

Washington's vast food industry is a vital element of the state's economy. About 12% of the gross state product comes from the food and agriculture industry. Each year, agriculture contributes an estimated $35 billion to the state's economy and supports an estimated 131,000 jobs, mostly in rural communities.

Exports are critical to this industry and to the state of Washington. In 2009, Washington was the third largest exporter of food products among US states. Based on per capita exports, Washington is among the most trade dependent US states.[1]

WSDA's International Marketing program works in partnership with Washington's food and agriculture industry to help producers and companies sell their products internationally. The program targets markets and product sectors where Washington producers have competitive advantages and where the resources of other organizations with similar goals can be leveraged.

The program's success is measured by the export sales in which WSDA's assistance is essential, referred to as *assisted sales*. **In the 12-month FY 2010 period, the program reported $95.9 million of assisted sales.**

FY 2010 assisted sales generated an estimated $3.85 million in tax revenue to Washington[2] – $2.85 million more than the program's state-funded budget.[3] **These sales also supported an estimated 767 jobs.**[4]

The long-term value of the program's work is not fully reported because higher-value repeat sales often occur well after a WSDA-led activity. We seek to balance the need for short-term sales results with longer-term market development efforts that will lead to greater sustained sales volumes.[5]

For every $1 invested in the program, $3.86 was returned to the state in tax revenue.

WSDA Assisted Sales FY 10	**$95,888,000**
Estimated Tax Revenue Generated by These Sales	$3.85 million
Estimated Jobs Supported	767

During fiscal year 2010 (July 2009 – June 2010), the International Marketing program consisted of a program manager, program assistant, four trade specialists and contract representatives in Japan, Taiwan and China. Program staff and core operations were supported by a FY 2010 state general fund appropriation of $995,625.

For more information, please contact:

Janet Leister, Managing Director
International Marketing Program
Washington State Dept. of Agriculture
Phone: 360-902-1931
Email: jleister@agr.wa.gov

See endnotes on page 22 for details.

Building Economic Vitality Through Exports

MEXICO — During Washington Trade Week each March, program staff travel the state to educate Washington companies about resources and programs to help them export. **RESULT — Using WSDA resources, connections and expertise, a small snack and energy bar company is now exporting for the first time to Mexico!**

CHINA — Brown & Haley, Tacoma-based manufacturers of Almond Roca, participated in a WSDA-organized retail promotion in Shanghai, then joined the Governor's mission to China and Vietnam. During this mission, Brown & Haley launched their gift-giving season marketing push. The company garnered tremendous publicity in the Chinese press, USA Today, ABC News, King 5 TV and many other media outlets. **RESULT — Thanks in part to these events, Brown & Haley is having a "banner year" in China!**

TAIWAN — WSDA reached out to a successful Taiwan produce importer that was not yet importing US fruit. The importer traveled to Washington on a WSDA-led inbound mission, then attended the Produce Marketing Association trade show in October 2009. Thanks to these events and the follow up support provided by Washington's representative in Taiwan, this importer now buys Washington cherries and apples. **RESULT — Taiwan importer buys for the first time Washington cherries and apples valued at $2.5 million!**

Exceptional Sales Success

WSDA staff and overseas representatives worked with several hundred Washington companies in FY 2010. Of these, 50 reported sales totaling $95.9 million. The average transaction value per assisted sale was $265,618.

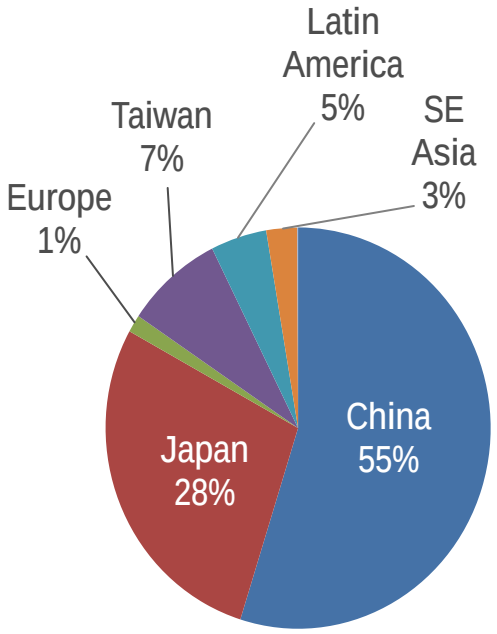
Most sales were of fresh fruits, processed foods, seafood and fresh vegetables. Ninety percent of sales occurred in markets where WSDA has in-country representatives: Japan, China and Taiwan.

WSDA's export promotion activities are designed to increase income and employment for Washington companies and thereby increase revenue to the state. The International Marketing program measures its performance through *assisted sales*, as reported to us by customers.

Assisted sales are those in which WSDA's assistance is essential. Each December and June, staff collects sales data (which is aggregated to ensure confidentiality). Significant and consistent sales may occur many months or years after a WSDA-led activity.

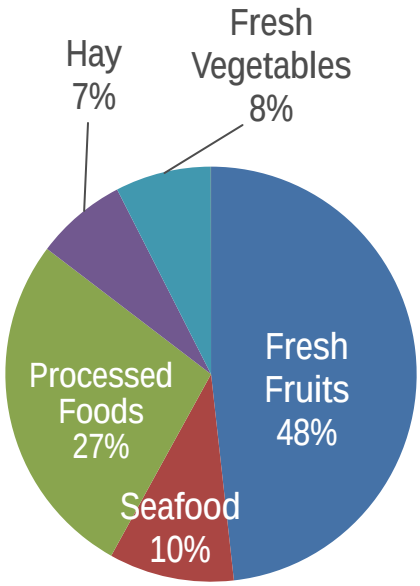
Because program efforts are concentrated in the early stages of market development, our sales results generally *underestimate* the value of the program's work and the benefits to the Washington economy. Larger, longer-term sales have the greatest benefit to the state and the food industry.

Program Sales By Market, FY 10



Ninety percent of assisted sales occurred in markets where WSDA maintains an in-country contract representative: Japan, China and Taiwan.

Program Sales By Product, FY 10



WSDA primarily assisted export sales of fresh fruits, processed foods and seafood. These products comprise some of the largest export categories for the state.

Sustaining Mature Markets, Accelerating Emerging Opportunities

This is an overview of significant program activities. For a complete list of export activities in FY 2010 see Appendix B on page 24.

CHINA

Seafood Project Yields $6 Million in Sales — WSDA continues to develop the seafood sector in China. At the 14th annual China Seafood Expo in Qingdao, five Washington companies sold product that was caught or processed in the state. A wide range of products were showcased and sold including Dungeness crab, geoduck, oysters, wild salmon, hake and more. In addition to the Washington-organized trade show pavilion, WSDA led an outbound trade mission to Shanghai prior to the show. Seven Washington companies met with 30 seafood importers from China.

Shanghai Retail Promotion Brings New-To-Market Companies to China — Seven Washington companies were highlighted in a "4th of July" retail promotion at the City Shop supermarket chain. City Shop has eleven stores in Shanghai and Beijing and caters to the growing Chinese middle class and expatriate population. The store's high-end magazine featured company profiles and selected products with recipes prior to the two-week event.

During the "All Natural West American Treats" retail promotion at City Shop supermarkets in Shanghai, participants enjoyed making their own custom hamburgers using Western US ingredients.

Washington cherries (and Mount Rainier) figured prominently in a WSDA-led retail promotion targeting the growing Chinese middle class.

Washington cherries were the marquee item while other products included specialty crackers, apple chips, dressings, canned fruits, and popular Washington confections. Of 70 new introductions, several Washington products still remain on the shelves. A new-to-market confectioner also found sales success after joining the two WSDA-led retail promotions. They have since expanded distribution to major supermarkets in Shanghai and Hong Kong.

INDIA & MIDDLE EAST

Targeting Emerging Markets — WSDA aggressively targets the Indian and Middle Eastern markets through trade shows, inbound buyers missions and outbound delegations. Activities included an inbound mission for

buyers from India in October 2009, an outbound mission to India in November 2009, the Gulfood trade show in Dubai in February 2010 and an inbound mission from the Middle East in June 2010. Very strong turnout and overwhelmingly positive response from industry underscored the need for additional activities in these markets.

WSDA led an outbound mission to Delhi and Mumbai in November 2009 where Western US companies met with dozens of Indian food retailers, importers and distributors.

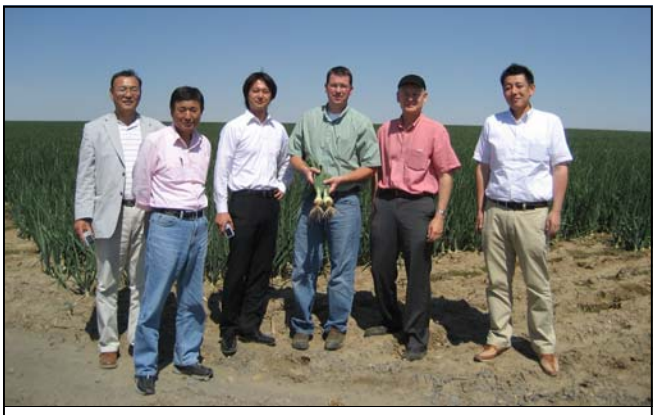
Mission to Delhi, Mumbai Opens Doors — In November 2009, WSDA led ten Western US companies, including four from Washington, on an outbound mission to Delhi and Mumbai. The delegation met with major food retailers; visited wet markets, convenience stores, supermarkets and hypermarkets; met with US Foreign Agricultural Office staff; and had one-on-one meetings with 54 Indian importers and distributors. Though India offers opportunities for Washington exporters, companies must be very cautious. Missions like this are absolutely essential before investing limited resources in an complex developing market.

JAPAN

Extensive Company Assistance in Japan Keeps Trade Flowing — Japan has long been one of Washington's premier trading partners. Because Japan's mature market demands very high quality and has strict health and safety standards, individual company assistance is one of the most valuable services WSDA provides. Unexpected customs, inspection and trade barrier issues can slow or stop the timely movement of Washington food exports to Japan.

Domestic and international staff provide discreet, timely support and access to foreign government officials. Both existing producers (of fresh cherries, bakery ingredients, onions and frozen vegetables, for example) and emerging exporters (of supplements, nutraceuticals and natural products) benefited from this form of assistance in FY 2010.

Inbound Onion Mission Brings Sales of $5.1 Million — Japan, Washington's largest export market for ag products, has in recent years increased food imports from China. Chinese products, however, have suffered from repeated food safety and chemical residue scandals, frequently covered by the mass media. As a result, Japanese imports of Chinese produce, including processing onions, are down. To capitalize on this, WSDA brings groups of onion buyers here to showcase the safety and quality of Washington-grown onions. In FY2010, $5.1 million in onion sales to Japan resulted from these efforts.



Buyers from Japan visit an onion field in eastern Washington during an inbound mission.

KOREA

Media Tour Touts Washington Wine — In June 2010, WSDA hosted a delegation of wine experts and media from Korea. The delegation was organized by the Korea Agricultural Trade Office and was a joint activity with both the Washington and Oregon Wine Commissions. The three-day event included visits to 10 Washington wineries in three different regions of the state. The delegation was very impressed with the quality of wine produced in Washington and the activity has lead to increased awareness and consumption of Washington Wines in Korea.

Export Promotions Lay Groundwork for Sales Following FTA — Since 2006, WSDA has led ten inbound missions, two trade show delegations and three menu seminars in Korea. Though notable sales resulted, sales level are hampered by high tariffs. As a result WSDA has chosen to cut back its efforts until the US and Korea ratify their free trade agreement. This agreement would cut tariffs and result in very strong opportunities for Washington exporters. WSDA's efforts in Korea have laid the groundwork for future success.

In FY 2010 WSDA hosted two groups of inbound buyers from Korea. Once the US-Korea free trade agreement is ratified, Washington exporters will find tremendous opportunities among Korea's 50 million consumers.

MEXICO & LATIN AMERICA

Produce Missions Create Sales of $2.4 Million — WSDA organized two trade missions that showcased Washington produce to buyers in Mexico. The first brought six of the largest fresh produce importers from Mexico to meet Washington suppliers. The second took three Washington suppliers to meet importers, retailers, and distributors in Monterrey and Mexico City. These efforts generated sales of over $2.4 million dollars!

Sales from Retail and Foodservice Promotions Top $1.5 Million — Many Washington companies target Mexico's retail and foodservice sectors. To aid their efforts, WSDA organized a product demonstration in Mexico City that showcased Washington wine, frozen vegetables, and seafood to local chefs, importers, distributors, and restaurant owners. WSDA also joined the EXPO ANTAD trade show where four Washington companies showcased their products. These activities led to sales of more than $1.5 million dollars!

RUSSIA

Washington Companies Log $550K in Sales at World Food Moscow — Three Washington companies (two who were new to the market) exhibited for the first time at the World Food Moscow trade show, with the hopes of finding a reliable importer. Two seafood companies and one processed fruit company did that and more: over $550,000 in total sales resulted!

SOUTHEAST ASIA

The Southeast Asia region is defined as Singapore, Malaysia, Philippines, Thailand, Indonesia and Vietnam. WSDA works to expand retail and foodservice opportunities in the region.

$400K in Sales at Trade Show & Mission — Six Washington companies participated in the WSDA-led pavilion at the Food and Hotel Asia trade show. The show, held every other year in Singapore, is the largest and most successful in the region. Prior to the show, companies participated in a WSDA-led trade mission to Jakarta, Indonesia where they met with buyers, visited retail outlets, toured import facilities, and got importers perspectives on import requirements and procedures. Sales of $400,000 have been reported to date!

Trade Show & Mission Open Markets — WSDA led a trade mission to Hanoi in September 2009 prior to the Food and Hotel Vietnam trade show in Ho Chi Minh City. Two Washington companies participated, meeting new potential business partners, and gaining first-hand knowledge about this emerging market which has shown demand for Washington fresh fruits and vegetables, processed potato products, meat, dairy and wines. Participants anticipate new distributorships and sales from their participation!

TAIWAN

Sales from Inbound Missions Top $730K — WSDA hosted three inbound missions from Taiwan, each with a different product focus. Two fall missions focused on produce and foodservice items including berries, fresh potatoes and onions, apples, pears, stone fruits, processed fruits, processed vegetables, and beef. A spring mission focused on retail and foodservice items including fresh fruits and vegetables, wine, menu-ready items, and organics. All missions included both one-on-one company meetings and facilities visits. Buyers were impressed by the quality control measures used to ensure that top quality products get shipped to Taiwan.

In spring 2010 buyers from Taiwan traveled to meet with Washington providers of retail and foodservice items including fresh fruits and vegetables, wine and organics.

Governor Gregoire and Director Newhouse led a trade mission to China and Vietnam in September 2010. Washington frozen potatoes, wine, confections and other products received tremendous exposure during the mission.

GOVERNOR'S MISSION TO CHINA AND VIETNAM

In September 2010 Governor Gregoire led a trade mission to China and Vietnam. WSDA was central to the success of this mission. Staff recruited representatives of three commodity commissions and three food companies to join the mission. Washington agriculture was well represented by these industry leaders.

At in-store and restaurant promotions Governor Gregoire and WSDA Director Newhouse highlighted Washington French fried potatoes, cherries, apples, wine, confections and more. These activities brought extensive international media coverage. *USA Today* in Hong Kong highlighted several of the mission

WSDA's Lead Role in Washington's Export Initiative

WSDA has a central role in the Washington Export Initiative, the state's efforts to achieve the export goals outlined under the National Export Initiative. WSDA's five-year goals are to (1) assist 1,000 exporters and (2) deliver $300 million in assisted export sales. **These sales represent 50% of the state's overall goal for assisted sales.**

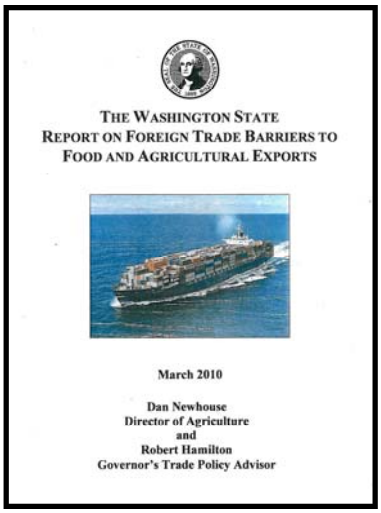
To help achieve these goals, the International Marketing program will utilize a USDA Specialty Crop grant of $169,206. This grant will fund three trade missions to be led by WSDA's Director. The missions will bring specialty crop companies to India, Mexico & Latin America, and Hong Kong & SE Asia. **Based on WSDA's export promotion expertise, strong sales for Washington companies are expected to result.**

promotions. This led to a national feature story on *ABC Nightly News* on one of the participating companies. Several additional new articles followed this report. In China the agriculture delegation also met with the new Agricultural Minister Counselor and the USDA Undersecretary to discuss trade policy issues for apples, potatoes and dairy products.

In Vietnam, Washington potatoes were highlighted at two highly successful promotions at KFC. These promotions were prominently covered in the Vietnamese media. The potato and cherry industries met with key Vietnamese importers to explore how to access Vietnam's rapidly growing market. The Washington State Fruit Commission estimates cherry sales to Vietnam could double in one year and grow 500% in five years.

MARKET DEVELOPMENT & TRADE BARRIER ASSISTANCE

WSDA Awarded Federal Grant to Smooth Red Raspberry Export to Japan — WSDA's Japan representative will lead a project to address a chemical trade barrier using a $38,000 Trade Assistance for Specialty Crop (TASC) grant from USDA. The project will resolve the disparity between Japanese and US tolerances for the use of bifenezate on red raspberries. At present, the Japanese Maximum Residue Level (MRL) is .01 ppm — a level that is impossible for growers to comply with. The effort to secure the funding began when key exporters met with WSDA's Scott Hitchman in March 2009, after two containers of red raspberries were rejected for entry into Japan even though they were compliant with US chemical residue allowances. The project is expected to last no more than two years.


THE WASHINGTON STATE
REPORT ON FOREIGN TRADE BARRIERS TO
FOOD AND AGRICULTURAL EXPORTS

March 2010

Dan Newhouse
Director of Agriculture
and
Robert Hamilton
Governor's Trade Policy Advisor

WSDA produced the 2010 Washington State Report on Foreign Trade Barriers to Food and Agricultural Exports. This report summarizes over 350 measures maintained by 52 countries to prevent or limit the import of agricultural products.

How WSDA Helps Washington Companies Expand Food & Agricultural Exports

WSDA's International Marketing program works with Washington's food and agriculture industry to increase export sales by:

- Matching sellers with qualified buyers
- Removing market access barriers to open or expand a market
- Partnering on Governor's trade missions to promote Washington agriculture and advocate for open markets

As recommended by industry, the program targets markets where Washington producers have competitive advantages and where the resources of other organizations with similar goals can be leveraged. To maximize the effectiveness of scarce resources, the program focuses on industries and product sectors:

- That are vital to the state's economy
- Where the program can have an impact
- Where industry needs and requests our assistance

The International Marketing program seeks to balance the need for short-term sales results with longer-term market development efforts that will lead to larger, enduring sales. Staff works closely with partners such as the state's agricultural commodity commissions, industry organizations, other states, the US Department of Agriculture (USDA) and the Western US Agricultural Trade Association (WUSATA).

KEY SERVICES WE PROVIDE

- Introducing Washington companies to qualified foreign buyers through trade missions, trade shows, trade leads, in-store promotions and showcases of Washington products.
- Connecting companies to USDA's export assistance resources, including Agricultural Trade Offices worldwide, Market Access Program (MAP) funding and other export finance and marketing resources.
- Providing timely market intelligence, introductions to local buyers and government officials and other in-country assistance when Washington sellers travel to export markets.
- Assisting companies with the many detailed documents required for export transactions that are unique to agriculture. For food products, the importing country often requires special documents regarding the origin, safety and/or content of the product.
- Organizing export readiness consultations for agricultural firms that are new to exporting or looking to enter a new export market.
- Resolving trade barrier and phytosanitary

WSDA International Marketing partners with Washington's food and agriculture industry to help producers and companies sell their products internationally.

issues, in partnership with the Governor's Office, commodity commissions, industry organizations, federal agencies and foreign officials.

- Maintaining a searchable database of Washington food and agricultural suppliers to help connect buyers and sellers, as pictured at right. Website address: *www.impact.wsu.edu/WAsuppliers/*

PROGRAM RESOURCES

Trade Specialists — Program staff is balanced between eastern and western Washington. Trade specialists in Yakima and Kennewick cover eastern Washington, while trade specialists in Olympia and Seattle are responsible for western Washington. By maintaining staff near growing centers and companies, the program remains responsive to the unique needs and challenges facing agricultural exporters.

During Washington Trade Week in March 2010, program staff visited the Brown & Haley production facility in Tacoma to discuss trade opportunities and the upcoming Governor's mission to China and Vietnam.

On the recommendation of companies, each staff member is responsible for specific industry sectors. This allows them to build relationships with industry leaders and companies and focus on industry-specific trade issues. To further tailor program services, trade specialists are also assigned to specific country or regional markets as well as key USDA trade programs.

International Contract Representatives — WSDA has in-country contract representatives in Japan, Taiwan and China. These representatives work closely with domestic staff to assist Washington food and agriculture companies in their respective markets. They do so by:

- Arranging and accompanying Washington companies on in-country appointments
- Bringing foreign buyers to Washington on inbound buying missions
- Hosting outbound sales missions of Washington companies in their country markets
- Organizing trade shows and seminars
- Assisting with shipments that encounter problems after arriving at their destination
- Providing market intelligence and timely information on changes to import procedures
- Assisting with Governor's trade missions

To maximize promotional resources, each international representative may also contract separately with Washington agricultural commodity commissions or associations. For example, WSDA's contractor in Japan contracts with the Washington State Fruit Commission to conduct cherry promotions in Japan. These connections provide strong, ongoing industry links and are practical mechanisms for cross-selling Washington products abroad.

PROGRAM FUNDING

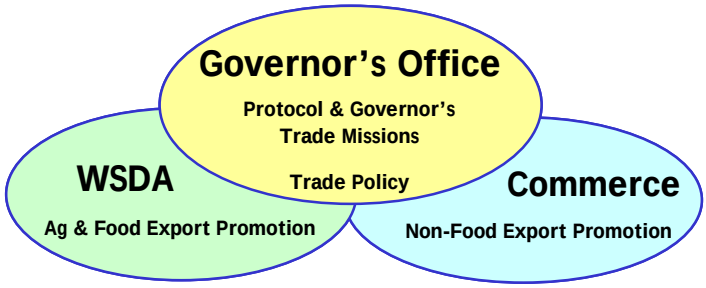
Primary funding for the International Marketing program comes from the state general fund. WSDA also pursues funds to perform promotional activities and provide enhanced services to Washington companies. In FY 2010, WSDA leveraged federal funds to help Washington companies and associations promote food and agricultural exports.

State General Fund — In FY 2010 the program budget was $995,625. These funds support WSDA staff, overseas representatives and basic program costs. The Washington constitution forbids utilizing state funds for the direct benefit of private companies and individuals, so WSDA relies on federal funds to conduct most of its promotional activities.

MAP Generic Program — In 2010 WSDA administered $368,349 in USDA Market Access Program (MAP) project funding. These funds provide for extensive promotional activities and some overseas travel. These funds can not be used for WSDA staff salaries or benefits. WSDA partners with other Western states on a variety of export promotion activities.

WASHINGTON'S INTERNATIONAL TRADE TEAM

WSDA's International Marketing program is a key part of Washington's international trade team. As illustrated below, each partner has different responsibilities with occasional overlap. The Governor's Office is responsible for protocol, trade policy and trade missions with the support of WSDA and the Washington State Department of Commerce. Commerce undertakes all non-food related export promotion.



WSDA's International Marketing program is a key component of the state's global trade team.

WSDA's International Marketing program is part of an integrated international system for food export promotion. Food and ag promotion is separate from promotion of other exports because:

- Food products are perishable
- Complex transport and inspection systems are required
- Ag markets can be highly volatile
- Ag exports are essential to the state's economy

KEY STAKEHOLDERS

WSDA works closely with the food and agriculture industry to identify priorities and targets. Key stakeholders include:

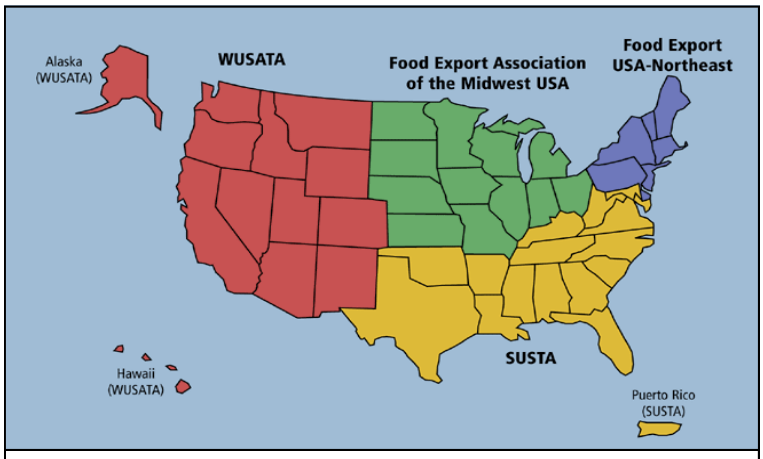
International Marketing Program Advisory Committee — Consisting of food exporters and industry representatives, the Advisory Committee makes certain that the International Marketing program addresses industry marketing needs and emerging opportunities. Committee members bring intimate market and industry knowledge. They help clarify market trends, guide promotional efforts and recommend the location of contract representatives. Their advice ensures that limited resources are efficiently and effectively utilized. See Appendix C for a list of Advisory Committee members.

WSDA's International Marketing program works with a variety of industry and government partners to leverage resources and provide synergy to the program's activities.

Agricultural Commodity Commissions — The state's 23 agricultural commodity commissions are self-funded state agencies. Generally speaking, WSDA funds multi-product promotions while commissions fund commodity-specific education and promotional activities. Many commissions manage complex export promotion programs and work closely with WSDA. The Apple, Fruit, Potato and Wine Commissions are particularly active in joint promotional efforts. Program staff represent the department at the Asparagus, Red Raspberry, Fruit, Apple, Beer and Potato Commissions. See Appendix D for a complete list of Washington agricultural commodity commissions.

WUSATA — The Western United States Agricultural Trade Association, known as WUSATA, administers the USDA's Market Access Program for western US states. This program annually distributes federal funds for both branded and generic agricultural export promotions and activities. Washington companies may use Branded Program funds to support their individual marketing efforts. They may also participate in WSDA-led Generic Program promotions such as trade shows, buying missions and menu promotions. Visit WUSATA online at www.wusata.org.

United States Department of Agriculture — The USDA's Foreign Agricultural Service has many export promotion programs and resources. Their extensive network of overseas offices expands WSDA's access to markets and their export promotion grant programs are available to Washington companies. WSDA's International Marketing program leads many promotions funded by USDA.



WUSATA administers the USDA's Market Access Program for 13 western US states, including Washington.

Washington Agriculture — Dependent on Trade

FOOD & AGRICULTURE EXPORTS TOP $10.9 BILLION IN 2009

Washington is one of the most trade dependent states in the nation. **In 2009 (the most recent full year of data available) Washington exported $10.93 billion in food and agriculture products, down 26.4% from 2008. This is the third largest total among US states.**

Many products that are exported via Washington's dynamic port system do not originate here. While not grown or produced locally, these exports nonetheless benefit the economy in terms of transportation and port jobs. These "pass-through" products are mostly corn and soybeans destined for Asian markets. In 2009, pass-through products represented just over 50% ($5.5 billion) of Washington ag exports. **When pass-through products are excluded, exports of food products that originated in Washington were valued at $5.4 billion in 2009.**

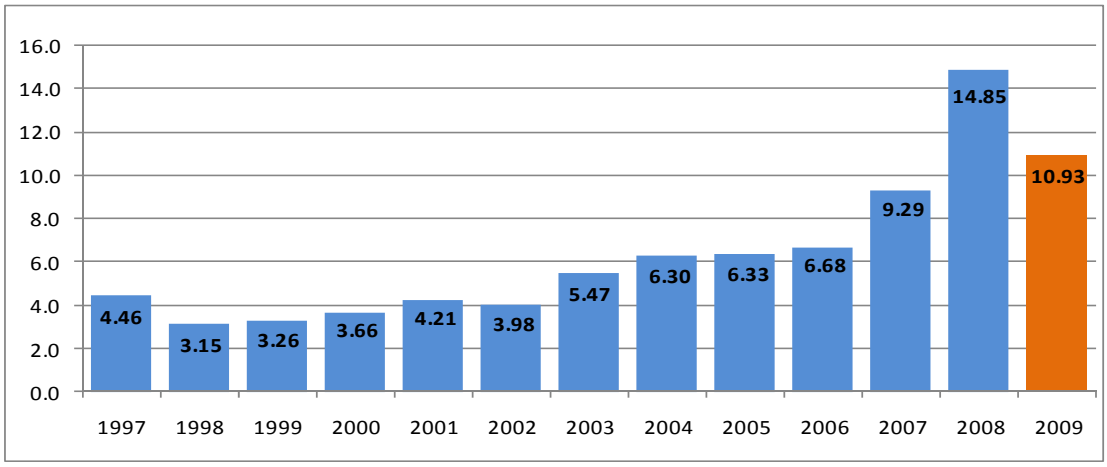
Throughout much of 2008, food commodity prices remained unusually high. World growth then slowed with the spillover of the US and European real-estate crises into world financial markets.

Ag exports remain a success story in difficult economic times. **If 2008 is excluded, Washington's ag exports have steadily increased for a decade.** These gains may continue due primarily to economic growth in Asia.

EXPORTS BY PRODUCT

In the first half of 2010, eight of Washington's top ten export categories increased. Although wheat prices fell in 2009 demand (particularly in Asia) showed signs of strength in 2010. The combination of a disastrous harvest in Russia and poor weather in Canada resulted in much higher prices for wheat in late 2010. Washington, as the fifth-largest wheat producing state in the US, is poised to benefit.

Washington's Food & Ag Exports Have Tripled Since 2000



Washington's total food and agricultural exports, although down sharply from record 2008 levels, continue their decade-long upward trend.

Most Top Export Categories Rebound in First Half of 2010

Rank	Products (excluding pass-through corn & soybeans)	1st half 2009 US$ millions	1st half 2010 US$ millions	% Change
1	Wheat And Meslin	620	540	- 13.0
2	Fresh Fruit And Nuts	401	411	+ 2.4
3	Processed Food	320	370	+ 15.9
4	Fish And Seafood	254	258	+ 1.4
5	Forage Products	176	180	+ 2.2
6	Dairy, Eggs, Honey, Etc	100	179	+ 78.9
7	Fresh Vegetables	95	152	+ 59.8
8	Lactose, Veg Sap, Extracts	76	96	+ 26.1
9	Processed Meat, Fish	89	95	+ 6.3
10	Meat	86	61	- 29.5

Fresh fruit exports, led by apples, grew modestly in the first half of 2010. Exports of processed foods grew by more than 15%, led by $272 million in frozen potatoes for French fries. Japan, Canada and China are leading buyers of Washington potatoes.

Fish & seafood and forage products both grew slightly. Powdered milk exports (included in the Dairy, Eggs, Honey category) nearly doubled to $90 million after sharp declines in 2009. Growth in fresh vegetable exports were led by peas, lentils and onions. Next were hops and hop extracts (included in the Lactose, Veg Sap, Extracts category) processed meat and fish, and fresh meat.

EXPORTS BY MARKET

Asian economies recovered from the global recession more quickly than the US and Western countries. This dynamic is evident among buyers of Washington ag exports. Japan, long the largest buyer of Washington ag exports, increased despite weak growth and a declining population. Exports to Canada grew by nearly 10%, led by strong apple sales. Lower prices due to the weak US dollar no doubt contributed to this increase.

Despite sharply higher tariffs on some Washington products due to the trucking dispute (see page 20) exports to Mexico expanded by almost 10%. Strong powdered milk and hop sales made up for weakness in frozen potato and pear shipments, which were all subject to damaging tariff hikes.

Taiwan was Washington's fourth largest buyer, followed by the Philippines which is traditionally a large importer of Washington wheat. Exports to Korea slipped, while those to China grew by over 23% . Indonesia, Hong Kong and Thailand round out the top ten.

If the export totals to Hong Kong and China are combined, China would become Washington's third most valuable export market, behind Japan and Canada and ahead of Mexico.

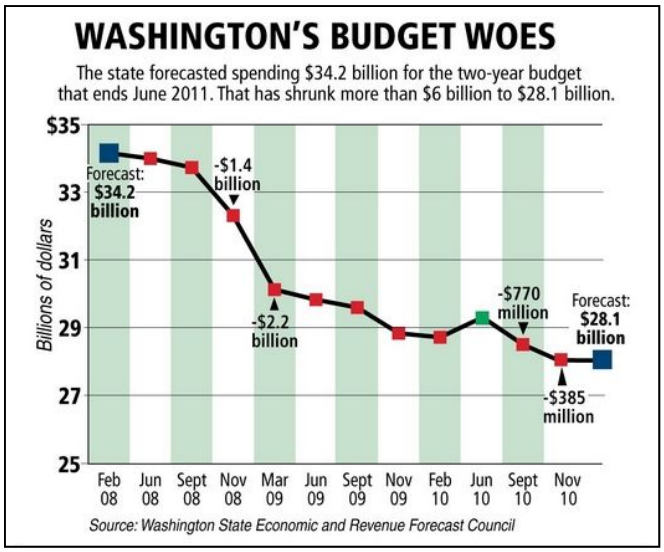
Seven of Top Ten Markets Grow In First Half of 2010

Rank	Country (excludes pass-through corn & soybeans)	1st half 2009 US$ millions	1st half 2010 US$ millions	% Change
1	Japan	570	594	+ 4.3
2	Canada	463	507	+ 9.6
3	Mexico	158	174	+ 9.9
4	Taiwan	140	147	+ 5.3
5	Philippines	89	131	+ 47.0
6	Korea	114	110	- 3.7
7	China	86	106	+ 23.2
8	Indonesia	126	85	- 32.5
9	Hong Kong	69	81	+ 18.7
10	Thailand	97	65	32.6

The Challenges Ahead

Washington agriculture faces fierce competition at home and abroad. The weak global economy and trade barriers which limit market access and changing consumer preferences are just two of the forces at work. With these challenges in mind, WSDA's International Marketing program strives to help producers find profitable new opportunities to sell their products and be more competitive in the international marketplace.

State and Federal Budget Turmoil — As the economy recovers slowly, the risk of losing state funding grows. Funding declines could result in a significant reduction to WSDA's International Marketing program budget. **State budget cuts would severely impact our ability to assist ag exporters, particularly small and medium sized companies.**



At the federal level, concerns about the growing budget deficit could result in cuts to funding that WSDA relies upon to undertake export promotion activities. Several years ago, federal export promotion funding for Washington's largest product categories (seafood and produce) was all but eliminated. The result was lower assisted sales in FY 2006 for Washington companies due to the cancellation of several proven promotions.

The Global Economy — 2010 turned out to be a surprisingly good one for the world economy. Global output rose by close to 5%. Most of the dangers that frightened financial markets during the year have failed to materialize. China's economy has not suffered a hard landing. America's mid-year slowdown did not become a double-dip recession. Despite the troubles of the some smaller European economies, the euro zone as a whole has grown at a decent rate, thanks to Germany, the fastest-growing mature economy in 2010. The question now is whether 2011 will follow the same pattern — particularly in Asia.

Stalled Trade Agreements — The US signed free trade agreements with Columbia in 2006 and with Panama and Korea in 2007. Congress has not yet ratified any of these agreements. Our competitors, however, are not waiting for passage of these preferential US agreements and are in the process of negotiating their own agreements with Columbia, Panama and Korea.

While negotiations through the World Trade Organization offers the greatest opportunity to expand agricultural exports, those negotiations appear to be stalled. In the mean time, bilateral and regional free trade agreements offer an opportunity to expand agricultural exports. Other countries around the world see that opportunity and are seizing it. The US, unfortunately, is not.

Mexican Trucking Dispute — In May 2009, Mexico announced higher tariffs on $2.4 billion worth of imports from the US in retalia-

Wheat has long been Washington's largest ag export. After falling from historic highs in 2008, wheat prices have rebounded. Growing demand from Asia and weak harvests outside the US may bring a bounty for Washington growers.

tion for the US government's decision to end a program allowing some Mexican trucks on America's highways. Washington pears, potatoes, beef and other products were immediately slapped with higher tariffs. In August 2010, higher tariffs were levied on another $2.5 billion in US products, including Washington apples. The tariff in part contributed to a $19.7 million decline in the exports of Washington ag products in 2009.[6] Ongoing tit-for-tat protectionism, such as this dispute, remains a growing risk as countries look to protect domestic industries during economic difficulties.

The Mexico trucking dispute has already cost Washington ag producers tens of millions of dollars in lost sales due to sharply higher tariffs on a variety of commodities.

The Weak US Dollar: A Pyrrhic Victory? — Historically high prices for many commodities (from wheat to gold, soybeans to silver) have in part resulted from the general depreciation of the US dollar. The weak dollar means that Washington exports are more competitive vis-à-vis other countries' exports. It also means that importers with stronger currencies have more buying power. This has increased demand for US food commodities. Some observers, however, see this not as a competitive strength but rather a detrimental effect of the growing federal budget deficit, which in the long term threatens economic growth and stability.

Continued Growth (and Competition) in Asia? — Many emerging Asian markets are well on their way to becoming classic growth markets for food. This growth model has been the dominant reason for US agriculture's export success over the past 50 years. In most developing economies, improving diets is the number one priority of consumers. As incomes rise, an increasing share of every new dollar of income is spent on better food. This typically means buying more processed foods and substituting meat products for cereal-based subsistence foods.

Washington producers will certainly find opportunities to export to these growing markets, especially in China. Demand in China has already spurred increases in food imports. Conversely, Washington commodity producers will face mounting competition from countries with lower production costs.

Notes and References

1 Among US states, Washington consistently has one of the highest levels of exports per capita. For example in 2005, Washington exported $6,035 per person, second only to Vermont. For every $10 of state GDP, $1.46 came from exports , the fifth highest total among states. Source: FTDWebMaster, Foreign Trade Division, US Census Bureau, Washington, D.C. 20233 via StateMaster <http://www.statemaster.com/graph/tra_exp_tot_ove_val_percap-totals-overall-value-per-capita

2 According to the Washington State Department of Revenue, the total state sales tax on food and agricultural exports is 4.01% (2004). Therefore export sales of $95,888,000 generated $3,845,109 in general fund tax revenue.

3 The net income of $2,849,484 to the state is calculated by subtracting the program budget ($995,625) from the tax revenue generated ($3,845,109).

4 According to the United States Department of Agriculture, every $1 billion of food and agricultural sales represents 8,000 jobs (2010), a ratio of 8 jobs for every $1 million in ag exports. Therefore export sales of $95,888,000 supported an estimated 767 jobs in Washington.

5 The International Marketing program has tracked assisted sales since FY 1998. Including FY 2010, cumulative assisted sales were $765,674,902.

6 Source: Dupler, Michelle. "Washington Growers Seek Ends to Mexican Tarrifs". Tri-City Herald: September 8, 2010. Online at: http://www.tri-cityherald.com/2010/09/09/1161719/washington-growers-seek-end-to.html

Brady, Michael and Taylor, Justin. "Agriculture's Contribution to Washington's Economy." Washington State University IMPACT Center Fact Sheet: November 2010. Online at http://www.impact.wsu.edu/

Dupler, Michelle. "Washington Growers Seek Ends to Mexican Tarrifs." Tri-City Herald: September 8, 2010. Online at: http://www.tri-cityherald.com/2010/09/09/1161719/washington-growers-seek-end-to.html

Means, Kathy. "Mexican-US Trucking Standoff Drags On, Adds New Victims." Produce Marketing Association Field To Fork: August 23, 2010. Online at http://fieldtofork.pma.com/?p=1471

"Three-Way Split: America, The Euro Zone and the Emerging World are Heading in Different Directions ." The Economist: December 9 ,2010. Online at http://www.economist.com/node/17677746?story_id=17677746

"US Agricultural Trade Update." US Farm Bureau Department of Economic Analysis: June 2010. Online at: http://www.kfb.org/commodities/commoditiesimages/June10TradeUpdate.pdf

"Washington Wheat Facts 2009-2010." Washington Grain Alliance. Online at http://www.wawg.org/index.cfm?show=10&mid=80

Appendix A — Program Contacts

Washington State Department of Agriculture
International Marketing Program
PO Box 42560, Olympia, WA 98504-2560
Email: ag-export@agr.wa.gov

Website: http://agr.wa.gov/Marketing **Suppliers Database: www.impact.wsu.edu/wasuppliers**

For further information, please phone Leisa Schumaker at 360-902-1926.

Administration	
Janet LEISTER, Managing Director Ph: 360-902-1931 Fax: 360-902-2089 Mobile: 360-561-4521 Email: jleister@agr.wa.gov	**Leisa SCHUMAKER,** Program Assistant Ph: 360-902-1926 Fax: 360-902-2089 Mobile: 360-790-9856 Email: lschumaker@agr.wa.gov
International Trade Specialists	
David ANDERSON - Yakima Ph: 509-457-7137 Fax: 509-453-4880 Mobile: 509-952-0617 Email: danderson@agr.wa.gov **Rebecca WEBER - Kennewick** Ph: 509-735-3666 Fax: 509-735-6609 Mobile: 509-727-8302 Email: rweber@agr.wa.gov	**Bill DALLAS - Olympia** Ph: 360-902-1925 Fax: 360-902-2089 Mobile: 360-561-1456 Email: bdallas@agr.wa.gov **Vacant Trade Specialist Position** Western Washington
Overseas Contract Representatives	
JAPAN **Mr. Scott HITCHMAN** 9-1-7-581 Akasaka Minato-ku, Tokyo 107-0052, Japan Ph: (011-81-3) 5770-7533 Fax: (011-81-50) 3488-4172 Cell Phone:(011-81-80) 5058-6487 Email: sch@gol.com	**TAIWAN** **Mr. LIN Gau-Shieng (Chris)** F3, #12, Lane 147,Hsiu-Shan Rd, Si-Jhih City Taipei County 22199, Taiwan Ph:(011-886-2) 2691-2360 Fax: (011-886-2) 2691-2357 Cell Phone: (011-886-9) 3528-4685 Email: charityc@seed.net.tw
CHINA **Mr. LI Haidong** Room 2301, Bldg. No. 4,No. 588 Jiao Zhou Road Shanghai, 200040, China Ph: (011-86-21) 5228-0659 - Fax: (011-86-21) 5228-2891 Cell Phone: (011-86-137) 0186-9509 Email: lhaidong@163.net	

Appendix B — Export Promotion Activities

TRADE SHOWS, PRODUCT SHOWCASES, IN-STORE PROMOTIONS

Food & Hotel Vietnam & Hanoi Market Visit, October 2009

Foodservice Development Project, Mexico, October 2009

China Seafood & Fisheries Expo, November 2009

Food & Hotel China, November 2009

Gulfood 2010, February 2010

Expo Antad, Mexico, March 2010

Food Ingredients China, March 2010

Brussels Seafood Show, April 2010

City Shop In-Store Retail Promotion, China, June 2010

OUTBOUND SALES MISSIONS, INBOUND BUYERS MISSIONS

Fresh Retail Inbound Mission, ASEAN, August 2009

Produce Inbound Mission, Mexico, September 2009

Onion Inbound Mission, Japan, September 2009

Foodservice Inbound Mission, Korea, September 2009

FSMIP Central America Potato Meetings, September 2009

Foodservice Inbound Mission, Taiwan, October 2009

Produce Inbound Mission, Taiwan, October 2009

Food Ingredients Inbound Mission, China, October 2009

Produce Outbound Mission, Mexico, November 2009

Retail Inbound Mission, India, November 2009

Supply Side West Trade Show Inbound Mission, Japan, November 2009

Outbound Mission, India, November 2009

Processed Retail Inbound Mission, Southeast Asia, December 2009

Inbound Retail Mission, Korea, December 2009

Foodservice Inbound Mission, Korea, March 2010

WA State Wine Experience Event, May 2010

FMI Inbound Mission, Taiwan, May 2010

Retail Inbound Mission, China, May 2010

Wine Media Tour, Korea, June 2010

Foodservice Inbound Mission , Middle East, June 2010

AGRICULTURAL COMMODITY COMMISSIONS

IM staff participated in a variety of agricultural commission meetings and events, including those for the Fruit, Asparagus, Red Raspberry, Potato, Apple and Beer Commissions.

TRADE BARRIER ASSISTANCE

Trade Barrier Assistance for Iran, September 2009

Entry Requirements to Indonesia, March 2010

Indonesia Product Registration, June 2010

Red Raspberry Trade Assistance for Specialty Crop (TASC) Grant, Japan, Summer 2010

TRADE LEADS

Disseminated 70+ trade leads during FY 2010

PRESENTATIONS, PUBLICATIONS, EXPORT SEMINARS

Shanghai Seafood Meetings, November 2009

Trade Barrier Report, December 2009

Exporting in the Flat World Class, May 2010

OUTREACH TO STAKEHOLDERS

Met with WA Wine Exporter on Opportunities in Taiwan, July 2009

Assisted with Documentation for Mint Oil Exports to China, August 2009

Organized Visit for USDA Trade Director in Hong Kong, August 2009

Co-sponsored the Exporting in the Flat World Course, November 2009

WUSATA Annual Meeting, December 2009

Washington & Oregon Potato Conference, January 2010

Pasco Ag Show, January 2010

Advisory Board Meeting, January 2010

Hong Kong Wine Reception, February 2010

Prosser Economic Development Association Annual Meeting, March 2010

TRIDEC Annual Meeting, March 2010

Trade Week 2010, March 2010

WUSATA Branded Seminar, May 2010

Five State Cherry Meeting, Pasco, May 2010

Appendix C — Advisory Committee Members

Ron Anderson, Chairman

Anderson Hay & Grain Co., Inc.

Bill Bryant, Chairman

Bryant Christie Inc.

Jeff Correa, Director of Intl. Marketing

Pear Bureau Northwest

Todd Fryhover, President

Washington Apple Commission

Susan Hannah, Vice President, Marketing

Pacific Valley Foods

Michael McGinley, Export Sales

Ocean Beauty Seafoods

Robin Pollard, Executive Director

Washington Wine Commission

Mark Powers, Vice President

Northwest Horticultural Council

BJ Thurlby, Executive Director

Washington State Fruit Commission

Chris Voigt, Executive Director

Washington State Potato Commission

Charles Witzleben, President

SUPERVALU International

Appendix D — Washington Agricultural Commodity Commissions

Alfalfa Seed Commission (RCW 15.65)
Shane Johnson, Executive Director
100 N Fruitland, Suite B, Kennewick WA 99336
Phone: (509) 585-5460 / Fax: (509) 585-2671
E-mail: agmgt@agmgt.com

Apple Commission (RCW 15.24)
Todd Fryhover, President
PO Box 18, Wenatchee, WA 98807
Phone: (509) 663-9600 / Fax: (509) 662-5824
E-mail: danelle.trovato@waapple.org
Web: www.bestapples.com

Asparagus Commission (RCW 15.65)
Alan Schreiber, Administrator
2621 Ringold Rd, Eltopia, WA 99330
Phone: (509) 266-4303 / Fax: (509) 266-4317
E-mail: aschreib@centurytel.net
Web: www.washingtonasparagus.com

Beef Commission (RCW 16.67)
Patti Brumbach, Executive Director
14240 Interurban Avenue S #224, Seattle, WA 98168
Phone: (206) 444-2902 / Fax: (206) 444-2910
E-mail: pbrumbach@wabeef.org
Web: www.wabeef.org

Beer Commission (RCW 15.89)
Eric Radovich, Executive Director
14803 15th Ave NE, Suite 200, Shoreline, WA 98155
Phone: (206) 795-5072
E-mail: eric@washingtonbeer.com
Web: www.washingtonbeer.com

Blueberry Commission (RCW 15.65)
Alan Schreiber, Sec. & Treasurer
2621 Ringold Road, Eltopia, WA 99330
Phone (509) 266-4303 / Fax: (509) 266-4317
E-Mail: aschreib@centurytel.net
Web: www.wablueberrycomm.org

Bulb Commission (RCW 15.66)
Mike Shelby, Manager
2017 Continental Pl #6, Mt. Vernon, WA 98273
Phone: (360) 424-7327 / Fax: (360) 424-9343
E-mail: mshelby@fidalgo.net

Canola Commission (RCW 15.65)
Dan Ollero, Administrator
PO Box 2128, Pasco, WA 99302
Phone: (509) 783-4676 / Fax: (509) 783-4674
E-mail: dan@maurergroup.com

Cranberry Commission (RCW 15.65)
Karla Kelley, Chair
1151 Gould Rd, Grayland, WA 98547
E-mail: sandhillfarms@comcast.net

Dairy Products Commission (RCW 15.44)
Steve Matzen, Gen. Manager
4201 198th St SW #101, Lynnwood, WA 98036
Phone: (425) 672-0687 / Fax: (425) 672-0674
E-mail: smatzen@havemilk.com
Web: www.havemilk.com

Dry Pea & Lentil Commission (RCW 15.65)
Tim McGreevy, Administrator
2780 W Pullman Road, Moscow, ID 83843
Phone: (208) 882-3023 / Fax: (208) 882-6406
E-mail: mcgreevy@pea-lentil.com
Web: www.pea-lentil.com

Fruit Commission (RCW 15.28)
B.J. Thurlby, President
105 S 18th St #205, Yakima, WA 98901-2149
Phone: (509) 453-4837 / Fax: (509) 453-4880
E-mail: bj@wastatefruit.com
Web: www.nwcherries.com

Grain Commission (RCW 15.66)
Tom Mick, CEO
2702 W. Sunset Blvd., Suite A, Spokane, WA 99224
Phone: (509) 456-2481 / Fax: (509) 456-2812
E-mail: tmick@wagrains.com
Web: www.washingtongrainalliance.com

Hop Commission (RCW 15.65)
Ann George, Administrator
PO Box 1207, Moxee, WA 98936
Phone: (509) 453-4749 / Fax: (509) 457-8561
E-mail: ageorge@wahops.org

Mint Commission (RCW 15.65)
Rod Christensen, Executive Director
100 N Fruitland, Suite B, Kennewick, WA 99336
Phone: (509) 585-5460 / Fax: (509) 585-2671
E-mail: agmgt@agmgt.com

Potato Commission (RCW 15.66)
Chris Voigt, Executive Director
108 Interlake Road, Moses Lake, WA 98837
Phone: (509) 765-8845 / Fax: (509) 765-4853
E-mail: cvoigt@potatoes.com
Web: www.potatoes.com

Puget Sound Salmon Commission (RCW 15.65)
David Harsila
1900 W Nickerson St, #116, PMB 210
Seattle, WA 98119
Phone: (206) 595-8734 / Fax: (206) 542-3930
E-mail: soundcatch@seanet.com

Red Raspberry Commission (RCW 15.65)
Henry Bierlink, Executive Director
1796 Front St, Lynden, WA 98264-1260
Phone: (360) 354-8767 / Fax: (360) 354-0948
E-mail: info@red-raspberry.org
Web: www.red-raspberry.org

Seed Potato Commission (RCW 15.66)
Gloria Lagerwey, Secretary
400 Fifth Street, Lynden, WA 98264
Phone: (360) 354-5545 / Fax: (360) 354-1951
E-mail: glorial@nas.com
Web: www.waseedpotato.com

Strawberry Commission (RCW 15.65)
Walter Swenson, Manager
PO Box 2423, Olympia, WA 98507-2423
Phone: (360) 352-1236
E-mail: walterswenson@msn.com

Tree Fruit Research Commission (RCW 15.26)
Jim McFerson, Manager
1719 Springwater Avenue, Wenatchee, WA 98801
Phone: (509) 665-8271 / Fax: (509) 663-5827
E-mail: mcferson@treefruitresearch.com
Web: www.treefruitresearch.com

Turfgrass Seed Commission (RCW 15.65)
Dan Ollero, Administrator
PO Box 2022, Pasco, WA 99302
Phone: (509) 783-4676 / Fax: (509) 783-4674
E-mail: dan@maurergroup.com

Wine Commission (RCW 15.88)
Robin Pollard, Executive Director
1000 Second Ave, Suite 1700, Seattle, WA 98104-3621
Phone: (206) 667-9463 / Fax: (206) 583-0573
E-mail: rpollard@washingtonwine.org
Web: www.washingtonwine.org

WSDA Commodity Commission Program
Kelly Frost, Coordinator
1111 Washington St SE, P0 Box 42560
Olympia, WA 98504-2560
Phone: (360) 902-1802 / Fax: (360) 902-2092
E-mail: kfrost@agr.wa.gov
Web: www.agr.wa.gov