



May 30, 2017



The Honorable Senator Richard Devlin, Co-Chair
The Honorable Representative Nancy Nathanson, Co-Chair
Joint Committee on Ways and Means
900 Court St NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

Nature of the Request

The Oregon Department of Agriculture (ODA) requests permission to apply for a USDA Federal-State Marketing Improvement Program (FSMIP) grant in partnership with the Oregon Dairy Products Commission (ODPC). Grant guidelines require that applicants must be state agencies, defined as state departments of agriculture. Partnering organizations may include other agricultural entities, such as commodity commissions. The grant will be applied to a western regional initiative that supports the Oregon dairy industry's expanding export efforts.

With initial encouragement by ODA, ODPC has successfully pursued a state-wide export initiative for the past five years. With the department's continued guidance, ODPC now seeks to expand the dairy export effort by taking a leadership role within the western region in working with the states of Washington, Idaho, Utah, and Arizona. Multi-state initiatives are encouraged under grant submission guidelines. Further, the initiative is also supported by the US Dairy Export Council (USDEC), which will provide strategic guidance and in-kind staff and material contributions.

International market development is vital to the region's dairy growth and future, and to Oregon's dairy industry in particular, which already ships some 80 percent of its finished product to buyers out of state.

Grant funding will help enable better access to global markets and market intelligence, create efficiencies in supply chain management, devise a structure for continued cost savings through consolidated shipments, and create in-country product promotional opportunities.

Collectively as a region, ODPC will also coordinate the needed support in export readiness and export investment for small and medium-sized dairy processing firms at the local level. Oregon's earlier program showed that, when resources and information are made readily available, export growth can occur. A concerted export initiative can deliver further sales growth opportunities for processors and the reliant dairy farm families and rural communities in which they are based.

By working from a pre-competitive basis, dairy processors regionally can benefit from collective trainings, access to resources and funding, shared marketing intelligence, shipping consolidation, collaborative trade missions, and more. The approach will enable small and medium sized companies to more easily participate in global trade by concentrating the volume and variety of product necessary to attract global buyers.

In all these efforts, while the broader focus is on natural cheese, other dairy products such as powder, butter, and ice cream also will be incorporated as opportunities are presented, particularly in the realm of consolidated shipments.

With this grant proposal, the combined project total is \$407,200 representing FSMIP requested funds, and cash and in-kind contributions from the participating states.

Of that total, the respective dairy products commissions of the five participating states and USDEC have committed \$258,200 representing \$135,000 in cash, and \$123,200 in-kind staff time and materials.

We are requesting \$149,000 in funding from the FSMIP grant program for the three-year, five-state project. Successful grant recipients are required to provide a one-to-one match for federal funding, which can be a combination of cash and in-kind contributions.

All matching funding and in-kind contributions will be provided by the respective dairy commodity commissions within the participating states, and by the US Dairy Export Council.

ODA has no funding obligation toward the grant match requirements.

Agency Action/Background

In 2012, Oregon Department of Agriculture worked with the Oregon Dairy Products Commission to encourage a deeper understanding of, and greater participation in, the potential that global markets held. With continuing guidance and support from the Department, the Commission has since developed a formal program to engage the state's dairy processors in export activities through training, market access, and connections to available assistance and resources.

In addition, through its own connections and those assisted by ODA, ODPC has created working partnerships with the US Dairy Export Council, Western US Agricultural Trade Association (WUSATA), and U.S. Commercial Service/Export Assistance Center.

With the program expansion to a regional approach, ODA and ODPC will help enable the requisite volumes and variety of dairy products necessary to fully develop a presence in global markets, with a particular current focus on SE Asia. That region is expected to contain two-thirds of the world's consuming middle class within the next five years.

Action Requested

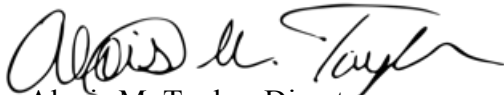
The ODA respectfully requests permission to apply for a USDA Federal-State Market Improvement Grant as the submitting agency in partnership with the Oregon Dairy Products Commission to expand dairy exports in collaboration with the western region.

The grant was initially submitted by the Oregon Dairy Products Commission, in its capacity as a semi-independent state agency with oversight by ODA under its commodity commission program. USDA has conditionally accepted the grant submission, and has requested that ODA become the submitting agency, per the grant guidelines defining applicant state agencies as state departments of agriculture. Grant reviews will continue through June 16, 2017.

Legislation Affected

If the grant application is successful, ODA may return to the Legislature for increased federal funds expenditure limitation in the 17-19 biennium if ODA is not able to accommodate the grant within existing budget authority.

Sincerely,



Alexis M. Taylor, Director
Oregon Department of Agriculture