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Growing Exports of New York's Agricultural, Food, and Beverage Businesses

Jim Manning, Export Development Project Manager
Cornell Cooperative Extension

The U.S. Chamber of Commerce has pointed out that 95% of the world's consumers, and 80% of projected global economic growth, are located outside the United States. As the purchasing power of non-U.S. populations increases, they have the potential to become increasingly important markets for New York State's agricultural, food, and beverage businesses. In addition, global communications and logistics are becoming more pervasive and efficient, making exporting more feasible for these New York businesses.

The most dramatic example of economic growth and consumption is in China, where the emerging middle and upper classes are estimated at over 300 million today, approaching the size of the total US population, and are expected to more than double by 2022. In October 2014, the International Monetary Fund (IMF) announced that China's economy had surpassed that of the United States to become the world's largest economy when measured by purchasing power parity.

China's unfortunate track record with environmental health and food safety represents a significant opportunity for New York State's businesses. Chinese consumers have an intense interest in better food safety and environmental health and are attracted by the promise of "greener" foods coming from New York's clean environment and high-functioning regulatory systems.

In light of these facts, Cornell Cooperative Extension recently completed an 18-month project, funded by New York State's Empire State Development (ESD), designed to gather more information about the China export opportunity and to identify support needed by New York State's agriculture, food and beverage businesses in order to respond successfully to this opportunity.

The project included extensive outreach to New York businesses, participation in major industry trade shows in China, and facilitation of an initial sale of honey, maple syrup, and other

products with a total net value to the producers of over \$30,000.

Our team also conducted a survey of New York producers to assess their experience with exporting as well as what they perceive as the potential for exports in their businesses. Survey participants represented all New York state industry sectors, including both some who are currently exporting and many who have little or no export experience. One hundred fifty-one useable surveys were collected and analyzed.

Respondents identified the types of export assistance they believe will benefit them the most which are summarized below:

- Help in addressing a lack of the organizational capacity to undertake export market development as well as the cost of developing export markets. These businesses need help with sales and marketing efforts, ranging from market analysis and intelligence to sales development services such as trade show participation support and identifying and vetting in-market partners and making introductions.
- Technical assistance in understanding and navigating regulatory requirements and tariff regimes. Some respondents specifically identified the need for a single entity or agency to provide a helping hand - a “one-stop” repository of knowledge on regulatory/tariff issues for relevant markets, as well as guidance on how to overcome these issues.
- Reductions in tariff and non-tariff barriers, with the most frequent specific request having to do with facilitating the entry of NY wines into the Canadian market.

Each of these needs is, to one extent or another, addressed by existing resources and agencies, including *Food Export Northeast*, the U.S. Department of Commerce (USDOC) and the U.S. Department of Agriculture (USDA). Nonetheless, the responses indicate that the perceived lack of sufficient assistance of various kinds remains high.

As an outcome of this project we have recommended several targeted investments that would help New York’s agriculture, food, and beverage companies tackle the challenges of entering and growing in the China market. Assisting companies with developing China exports will have the additional beneficial effect of preparing them to enter other export markets more successfully.

We have specifically recommended:

1. *Consolidating the sources of export help from the current variety of resources into a single “one-stop shop” and aggressively marketing the availability of this resource along the lines of, for instance, the Startup NY initiative.* It’s worth noting that the Global NY program launched in 2014 proposes to offer such a one-stop shop (*global.ny.gov*), but details have yet to be announced.
2. *Developing a program of direct China market entry support for medium to large companies in targeted sectors where strong opportunities have been identified as a result*

of this project. The recent project began such an effort for a few promising products and companies with deep dives into market analysis and preliminary identification of in-market partnership opportunities. Next steps would be to vet potential partners; facilitate initial liaisons; and support relationship development until traction is gained and companies can justify increased resource allocation to the Chinese market.

3. Developing a New York State e-commerce strategy for China in recognition of the explosive growth of the Chinese commercial internet. An e-commerce presence for New York State food and beverage producers in China is a promising way to address many of the challenges specifically identified by our survey respondents as limiting their ability to grow exports: the cost of developing sales; the cost of fulfilling sales; constraints of organizational capacity; and even, to some extent, the challenges of overcoming logistics and regulatory hurdles.

4. Strengthening cooperative marketing programs, with a special focus on export development, for New York's maple and honey industries, whose particular characteristics offer unique opportunities for growth. Survey responses indicated a high degree of support for the role that cooperative marketing could play in facilitating the growth of export sales by overcoming the limited organizational capacity of many small producers. This could be a particularly important strategy for two New York industries: maple and honey, two products for which we have already successfully generated sales to China as part of the recent project.

We believe that the results of the recent project show that such investments will enable our agricultural, food and beverage industries to maximize the new opportunities represented by export markets.

For more information on any aspect of Cornell Cooperative Extension's Export Development Project please contact the author at jpm277@cornell.edu or (315) 272-9529.

“Smart Marketing” is a marketing newsletter for extension publication in local newsletters and for placement in local media. It reviews elements critical to successful marketing in the food and agricultural industry. ***Please cite or acknowledge when using this material.*** Past articles are available at <http://agribusiness.dyson.cornell.edu/SmartMarketing/index.html>.