

North Dakota
TRADE OFFICE

**Ukraine Agricultural Equipment Export
Expansion**

Market Development Cooperator Program Grant Application

July 2007

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**North Dakota Trade Office
Ukraine Agricultural Equipment Export Expansion
Grant Application
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1. Executive Summary

The North Dakota Trade Office is a public-private partnership - a 501c (6) corporation - dedicated to expanding the state's export sales through advocacy, education and expertise.

The Trade Office requests \$128,898.00 in federal funds to increase agricultural equipment exports to Ukraine by an estimated \$300,000,000. The Trade Office will match the federal funding with \$262,598.00 from their operating budget, fees collected from participating exporters and in-kind sources. The total cost for the project is \$391,496 to be expended between November 2007 and October 2010.

Ukraine's insufficient domestic production and its limited supply of imported equipment have left the country's agricultural producers operating with a thin inventory of largely outdated and inefficient equipment. The agricultural equipment manufacturers and dealers currently working with the Trade Office have the capacity to deliver the types of equipment best suited for Ukraine's crops, climates and soils. The Trade Office and participating exporters believe it is an excellent time for farm equipment manufacturers and dealers to significantly build on Ukraine's growing economy and strong market for their products. Supported with federal and state resources, this project will provide agricultural equipment manufacturers and dealers the greatest opportunity for success. The project proposes building on Ukraine's high-demand market for agricultural equipment in a manner that addresses current market challenges at a reduced cost due to economies of scale and with significantly reduced risk.

The Trade Office proposes working with the following core partners;

- Padraic Sweeney, International Trade Specialist Manufacturing and Services, International Trade Administration(ITA)
- Heather Ranck, International Trade specialist, North Dakota United States Export Assistance Center
- Richard Steffens, Director, United States Commercial Service office in Ukraine

Summary of the Ukraine agricultural equipment export project:

1) Prepare, conduct and evaluate Demo Days in Ukraine.

The Trade Office will organize and conduct an annual event in Ukraine where U.S. equipment manufacturers and dealers will demonstrate their equipment in the field. The event will include educational classes and training for post sales services.

2) Identify potential buyers for agricultural equipment

Using resources available through ITA, the USCS and existing exporter contacts, this grant is designed to continually identify and build relationships with buyers for U.S. agricultural equipment.

3) Produce Marketing Materials

To build brand identity for U.S. agricultural equipment, marketing materials will be prepared for the Demo Days event and individual U.S. agricultural equipment manufacturers and dealers. The materials will be specifically tailored for the Ukraine market.

4) Hire Sales Representative in Ukraine

This project allows for participating companies and the core partners to hire an in-country sales representative who will be charged with building on the business relationships initiated through Gold Key meetings and Demo Days events.

5) Build ground work for training program

To address barriers to the sale of U.S. agricultural equipment, the underlying theme throughout the event is to educate Ukrainian dealers and distributors about the importance of after-market service and the availability of inventory. Educating Ukrainian equipment dealers and distributors about U.S. equipment, after-market service and inventory control also will be an important part of the sales representative's duties.

2. Background Research

A. Market Potential for U.S. Agricultural Equipment in Ukraine

1) Agricultural Equipment Industry in North Dakota

Agricultural machinery is North Dakota's largest merchandise export. In 2006, machinery - primarily agricultural equipment - represented 54 percent of all the state's exports of manufactured and processed goods. Global demand for North Dakota's agricultural equipment continues significant growth. Last year, the state's machinery exports increased 26 percent compared to 2005 and have increased 87 percent since 2001.

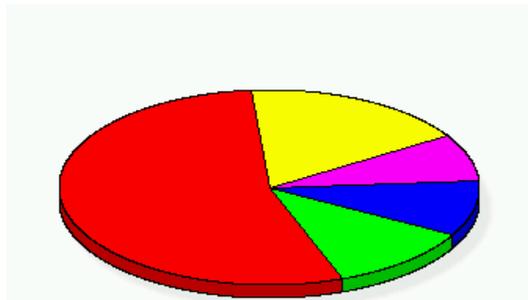
Exports from North Dakota to the World

Machinery and Total of All Manufactured and Processed Goods

Numbers are in thousands (\$ USD)

Item	2001	2002	2003	2004	2005	2006
Total	806,110	859,383	854,072	1,007,927	1,185,397	1,508,754
333 Machinery Manufactures	401,308	424,849	404,714	498,661	647,811	817,155

North Dakota's Export Sectors



Product	Value (\$)	Percent
Machinery Manufactures	817,155,249	54.2 %
Crop Production	170,213,631	11.3 %
Processed Foods	140,131,640	9.3 %
Transportation Equipment	117,432,796	7.8 %
All Others	263,820,457	17.5 %
Grand Total	1,508,753,773	100 %

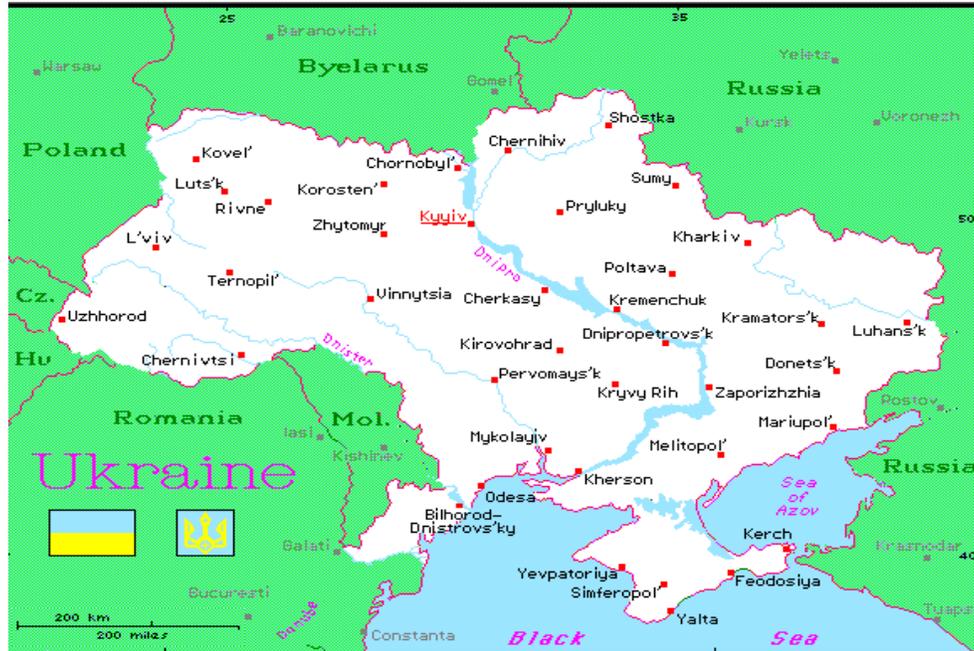
Source: The Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce

North Dakota is a world leader in the production of the very types of equipment in greatest demand in Ukraine. Farmers in North Dakota and Ukraine have much in common: they till some of the richest soils in the world, grow the same crops and are challenged by extreme weather conditions.

North Dakota's manufacturers and distributors of agricultural equipment are world leaders in helping farmers throughout the world overcome production challenges and improve efficiencies. Their engineering expertise and innovation are rooted in the rich agricultural heritage of a state that regularly leads the nation in the production of 13 crops.

North Dakota's manufacturers and distributors of farm equipment build and supply a full range of machinery used primarily for large-scale agricultural production. The equipment includes complete lines of field tractors, trucks and trailers, crop seeders, grain storage systems, cultivators, harrows, conveyor systems, chemical applicators, belting systems and harvesters for grains, oilseed crops, potatoes and sugar beets.

2) Ukraine Market Potential



North Dakota trade officials and agricultural equipment manufacturers are committed to developing further long-term business in Ukraine for one undisputable reason: Ukraine represents one of North Dakota's most promising export markets.

Market research and exploratory visits to Ukraine clearly show that the need for Ukrainian agricultural producers to replace basic farm machinery is becoming critical.

The U.S. Commercial Service has estimated that the current level of physical depreciation of agricultural machinery and equipment in Ukraine at 70 percent to 80 percent, compared to about 55 percent in 1999. Approximately 40 percent of tractors are 15 to 25 years old.

Ukraine has long enjoyed a reputation as potentially one of the most productive agricultural areas of the world. One problem all Ukraine farm operations face today, however, is an insufficient supply of reliable, efficient and affordable farm equipment.

When Ukraine declared independence in 1991, the country was saddled with badly organized and poorly managed collective farms. The collective farms have since given way to giant corporate-type farms, a collection of private farm operations and a large number of small subsistence farms. Consolidation of small farms into larger and more viable enterprises has been the prevailing trend, similar to what took place in Russia several years earlier.

The Ministry of Agricultural Policy of Ukraine estimated that the following farm machinery is necessary for its agricultural sector:

Type of machinery:	Machinery needed
Tractors	420,000
Grain harvesters	112,000
Fodder harvesters	26,000
Tillage and sowing machines	560,000

Domestically manufactured harvesters, coupled with the limited supply of imported equipment, can only partially replace the ever-increasing volume of spent farm equipment retired each year. New equipment is as much as three times more productive than what most farmers currently use. Unfortunately, total equipment availability, and thus harvesting capability, has declined in recent years. Despite no change in harvested area, total harvesting capacity has been declining over the past five years. Only increased per hectare yields, not higher harvesting efficiency, have allowed overall production volumes to rise.

Restructured collective farms and private distributors are the best end-users under the current situation. Distributors are more likely to pay for purchased machinery, due to their selectiveness in choosing customers. But if a U.S. company decides to work in the Ukrainian market, it is critical to provide a range of financing arrangements (such as discounts, lease and credit options) because of the lack of working capital of the Ukrainian farms.

A chronic lack of modern harvesting equipment remains one of Ukraine's main obstacles to increasing grain output and quality. In the late 1980's, the Ukrainian winter wheat harvest could be finished in roughly three weeks. Harvest now takes twice as long to complete, and both yield and grain quality suffer as a result of the delays.

Farm managers estimate that 10 percent to 20 percent of the standing crop is typically lost due to outdated, inefficient machinery. Custom combining is available, but operators charge 20 percent to 25 percent of the crop in exchange for their services. Farmers must weigh custom-combining charges against potential harvest losses, and most choose to harvest their own grain. Another consideration for the farm director, in addition to cost, is that the harvest campaign provides work for the farm employees.

3) The United States' Competitive Position

U.S. agricultural machinery has a good reputation in Ukraine. Farmers there prefer U.S.-built equipment compared to like-products manufactured in Russia or Ukraine. U.S. machinery is well represented in Ukraine yet there are still good opportunities for U.S. agricultural equipment companies to enter the Ukrainian market.

Germany and the United States are the largest exporters of large farm tractors to Ukraine (per unit value), with both countries' sales totaling about \$21 million in 2006. U.S. companies also make up the third largest exporter of large-production grain harvesters sold in Ukraine, when comparing cost per unit and total export value. Appendix 1 lists major exporting countries, the types of agricultural equipment sold in Ukraine and the export values. The export data is reported by the United Nations Statistics Division.

There is currently a critical demand for dependable farm machinery due to the lack of reliable Ukrainian manufacturers. High-quality U.S. equipment can have a positive impact on Ukrainian agricultural productivity. Ukraine also offers excellent opportunities for U.S. companies to expand to other regional markets such as Russia, other former Soviet Union countries and new European Union (EU) member countries in Central and Eastern Europe.

The supply of second-hand machinery from Europe has gradually decreased, and with the dollar exchange devaluation, this opens more opportunities for American exporters of used agricultural machinery.

U.S. companies offer a full range of equipment and parts, including spare parts for cultivating, growing, harvesting and transporting crops, as well as equipment for livestock production.

The list of U.S. manufacturers exporting to Ukraine includes, AGSCO Corporation, Massey Ferguson, John Deere, Caterpillar and Case/New Holland.

Grain-harvesting combines and tractors are in high demand in Ukraine. Cultivators, sprayers, ploughs, harrows and other agricultural equipment also will find customers in Ukraine.

U.S. companies have consistently remained at the top of the list of foreign direct investors in Ukraine and have remained active in finding opportunities offered by Ukraine's growing economy. Agricultural processing and equipment are among the main recipients of investment in Ukraine.

End-users of agricultural machinery are former collective farms, private farms, distributors and machinery-tractor stations. Regardless of specialization, agricultural enterprises and private farms share similar problems that impact the need for agricultural machinery and equipment.

The commercial environment in Ukraine remains tenuous, requiring U.S. companies to take a long-term, strategic view towards this emerging market. The North Dakota Trade Office and agricultural equipment exporters are committed to establishing a physical presence in Ukraine and finding reliable Ukrainian partners to succeed in this promising, yet challenging market.

B. Host-Country and Third-Country Competition

Ukrainian producers of agricultural machinery have approximately 65 percent of the entire Ukrainian market, while producers from Newly Independent States occupy about 20 percent and other foreign firms 15 percent. Western European firms actively operate in the Ukrainian market. They understand that despite the obstacles to doing business in Ukraine, the potential for hard currency agribusiness exports is great.

The Ukraine's agricultural machinery market is clearly divided into four sub-sectors:

- locally produced new machinery
- new machinery made in Russia or Belarus
- imported new machinery from Western suppliers
- imported second-hand machinery

There are about 40 plants that manufacture a range of agricultural machinery in Ukraine. Generally, production rates at Ukrainian plants are running between 15 percent and 30 percent of capacity. This low percentage is due to a lack of working capital, the poor financial situation of farms and a lack of new technologies

Many suppliers from Western Europe distribute agricultural machinery and equipment in the Ukrainian market. Tractors are distributed by Zetor (Czech), Gol-Doni (Italy), Fiatagri (Italy) and Fendt (Germany). The following combines are distributed in Ukraine: "Dominator-108" (Germany), L-624 (Italy), MF-36 (Dutch), Claas (Germany), Matro (France) and Bizon (Poland). Suppliers of chemical sprayers in Ukraine include Farmgep (Hungary) and Unigreen (Italy).

Distributors of domestic and foreign agricultural machinery have been operating in Ukraine since 1991. Most sell machinery through a lease or credit arrangement in exchange for agricultural commodities. Private distributors supply both Ukrainian and foreign machinery to many regions of Ukraine.

The current manufacturers of agricultural machinery in Ukraine supply a significant portion of Ukraine's agricultural machinery, in particular, ploughs, harrows, cultivators, seeders and sprayers. Industry leaders include three tractor plants: the Kharkiv Tractor Plant, Pivdenny Tractor Plant and LAN Concern. Ukraine also is home to two plants that manufacture harvesters in Kherson and Ternopil. All domestic manufacturers of agricultural machinery have similar problems that include the use of old equipment, the absence of modern technologies, low solvency of Ukrainian farms, and a lack of credit services.

Lack of credit and absence of purchasing power have produced a sharp drop in domestic manufacture of agricultural machinery and equipment. The price of domestically produced agricultural machinery is not cheap, because of inefficient and outdated manufacturing technologies. All this makes local machinery less attractive for agricultural companies.

Below, is a list of major manufacturers that sell agricultural equipment in Ukraine:

Manufacturers:

- CLAAS VERTRETUNG – Kiev, Ukraine
- JOHN DEERE – Rise Agrotechnica 152 Kiev
- CNH (CASE New Holland) – Representative office in Kiev
- AGROAKLIANCE – Dnepropetrovsk
- STIOMI – Kiev
- AGROTECHNICA – Kiev Pastova
- KHARKIV AGROINDUSTRIAL UNION (KAS) – Kharkiv
- KHARKIV Tractor plant – (Russia)
- PIVDENNY Tractor plant
- LAN Concern – Tractors

- XTZ (Ukrainian abbreviation for the Kharkive Tractor Plant – Ukraine, Kharkiv.
- KHERSON (Ukrainian-Romanian joint venture 2003) – combine harvesters
- TERNOPIL (Ukrainian) – Sugar beet harvesters
- BISON SP (Poland) Combine Harvesters – 4 dealers in Ukraine
- KUHNE – complete set of mounted land treatment equip (heavy duty disk harrows, reversible and tier plows, grain drills and row crop drills, and cultivators
- FARMGEP – (Hungary) high-quality trailers, mounted and self-propelled sprayers and seed equipment
- TAURUS – (MICHELIN company) – tires and tubes for agricultural machinery
- MASSEY FERGUSON (bought by AGCO 1994) – grain combine harvesters, tractors, ploughs, disk harrows, cultivators
- HARKOVSKY TRACTOR WORKS (HTZ) (under licensing agreement with VALTRA 1998)
- UNITED GRAIN GROUP – official representative of Kuhne, Farmgep, Taurus, Massey Ferguson. And second-hand Claas, Case, John Deere, Massey Ferguson
- CLAAS (Germany) – Tractors
- ISEKI (Japan) – Tractors, combine harvesters
- MOREAU (France) – Hyeaarvesters

C. Ukraine's Economic Condition and Ability to Import

Ukraine is an emerging market economy at the crossroads of Eastern Europe, Russia, and the Middle East. It holds great potential as a new market for U.S. trade and investment. Ukraine's resources and economic strengths include rich agricultural land, a strong scientific establishment, an educated and skilled workforce, and significant mineral reserves. Ukraine has achieved significant progress in opening its market to exports and investment, particularly in the last few years.

Ukraine is officially a \$60 billion economy, comprising heavy and light industry, oil and gas transit, agriculture, coal and mineral extraction, oil refining, chemicals, food processing and nearly 48 million consumers. Beginning in 2000, Ukraine's economic growth has averaged 7.4 percent a year, reaching 12.1 percent in 2004 and 7.0 percent in 2006, the World Bank reports.

Lack of working capital and access to affordable credit can limit Ukraine farm operators' purchasing power. (The North Dakota Trade Office will work with exporters, the Ex-Im Bank, other financial institutions and international trade specialists to identify qualified buyers, to further develop existing business ties and to provide adequate financing options.)

Many farmers are compelled to sell grain shortly after harvest when prices typically are lowest. One of the main reasons is a shortage of on-farm storage capacity, especially following a good harvest. This is a relic of the Soviet system, which was designed for immediate post-harvest shipment of grain to regional elevators. The need to repay short-term debts or to satisfy "payment-in-kind" arrangements is the second chief factor contributing to Ukraine farmers' untimely sale of grain. At harvest time many traders are offering cash for grain. Banks do not accept grain as payment, and for a farm director struggling with a heavy debt burden the lure of immediate cash is difficult to resist.

The greatest obstacle to increasing on-farm grain storage and modernizing the fleet of agricultural machinery is the difficulty for many farms to obtain large, long-term loans for capital investments.

Still, many farms are succeeding under shrewd leadership - in spite of fluctuating grain prices and constraints on the availability of credit. The transition of Ukraine's agricultural sector from a command economy to a more market-oriented system has introduced the element of fiscal responsibility, and farm managers are striving to make their enterprises as efficient as possible. Decisions on crop selection, fertilizer application, harvest method, grain storage and all other aspects of farm management are made with an eye toward boosting farm profit. Ukraine agriculture is going through a winnowing process whereby unprofitable, usually smaller farms will either collapse or join more successful farms.

D. Ukraine : Priority Use of Resources

The North Dakota Trade Office and The North Dakota-based U.S. Export Assistance Center (USEAC) have secured the partnerships of several organizations to implement strategies that will complement this project and further develop export opportunities for agricultural equipment manufacturers and distributors.

1) Big Iron International Visitors Program

In conjunction with the Red River Valley Fair Association, the Trade Office and U.S. Commercial Service are recruiting qualified equipment distributors and other buyers to attend the Big Iron Farm Show and International Visitors Program Sept. 10-13, 2007. The farm equipment show, held annually in West Fargo, N.D., features more than 800 exhibitors from several states and attracts more than 70,000 national and international visitors each year. Equipment demonstrations are held each day of the show.

U.S. Commercial Service specialists in Ukraine, Kazakhstan, Russia, Germany and Canada are currently working with the Trade Office to identify, qualify and recruit potential buyers.

The Trade Office, U.S. Commercial Service and North Dakota equipment manufacturers and distributors are developing the show's International Visitors Program which includes the following benefits for qualified foreign guests.

- Paid lodging for agricultural equipment distributors and other buyers who are successfully recruited to attend Big Iron.
- Translator services
- Free meals and local transportation to the three-day agribusiness show and International Program events
- Free admission to the International Guests pavilion which will include receptions, meals and refreshments, complementary Internet access and meeting space for one-on-one meetings with North Dakota agricultural equipment manufacturers and dealers.
- Special events that will include manufacturing plant tours, a VIP reception held at an original North Dakota bonanza farm, tour of a state-of-the-art equipment service facility and a North Dakota Governor's Office luncheon.

- Paid airfare and lodging for two qualified foreign journalists who represent publications or broadcast media with large agribusiness audiences. The North Dakota Trade Office prefers to host journalists from Ukraine, Russia or Kazakhstan.

2) Trade Mission in October 2006

In October 2006, an 18-member delegation representing six North Dakota agricultural equipment manufacturers and dealers traveled to Kazakhstan, Russia and Ukraine. During this mission the agricultural equipment manufacturers learned about the farm equipment markets and began building business relationships that are producing significant export sales today. These delegates recognized long-term success will depend on training, inventory and a sales representative in Ukraine, which has been the impetus for this grant.

A copy of the news release announcing this mission and a copy of an internal report generated after this mission are included as Appendices 2 and 3.

3) Commissioned Research

Due to interest in the Ukraine market, four companies – Hamilton Systems, Summers Manufacturing, Sorm Inc. and Brandt Holdings - have contracted with a private company to perform market research for their specific companies. Working with a company called East Partners, with Trade Office coordination, this group has been asked to examine the following deliverables:

- General situation
- Understand market
- Current imported products
- Demand types quality prices and sizes.
- Used to new equipment ratio
- Expert's potential customers
- Market Entry Plan

4) Travel to Ukraine

James Burgum and Susan Geib are planning to travel to Ukraine at the end of September on behalf of the four companies above to meet with potential buyers identified by East Partners. The purpose of this meeting will be to further develop relationships with potential buyers.

5) Agritechnica

The North Dakota Trade Office and U.S. Commercial Service are recruiting U.S. agricultural equipment manufacturers and dealers to exhibit their companies and products at Agritechnica – the world's largest agribusiness trade show to be held in Hanover, Germany Sept. 13-17. The Trade Office and U.S. Commercial Service will assist U.S. companies in identifying potential Ukraine buyers and arranging meetings during the exhibition. U.S. companies also will take the opportunity to learn more about their competitors in the Ukraine market and markets of other former Soviet Union countries.

E. Meeting Market Demand

North Dakota's agricultural equipment companies report that export sales are increasingly becoming a more important part of their business. Modern production technologies are outpacing domestic demand and company officials are looking for markets outside the United States. In addition, many of North Dakota's manufacturers and distributors represent divisions of national corporations and can draw on equipment inventories throughout the United States.

North Dakota's farm equipment industry engineers, builds, supplies and provides after-market service for complete lines of machinery used primarily for large-scale agricultural production. The equipment includes field tractors, trucks and trailers, crop seeders, grain storage systems, cultivators, harrows, conveyor systems, chemical applicators, belting systems and harvesters for grains, oilseed crops, potatoes and sugar beets.

North Dakota-based equipment manufacturers and distributors that are national leaders in their industry include:

RDO Equipment Co.

Founded in Casselton, N.D., in 1968, RDO Equipment Co. is a family-owned and operated company with a national reach. Fargo-based RDO Equipment Co., the largest dealer of John Deere agricultural equipment in America, has more than 60 locations in 10 U.S. states and employs more than 1,600 people.



CNH Global, Fargo

The Fargo-based CNH Global plant manufactures four-wheel drive tractors, wheel loaders and other agricultural tractors that are marketed around the world. CNH is a global company with 41 plants, 31 research and development centers, 16 joint ventures and 12,000 dealers located in about 160 countries. CNH agricultural products are sold under the Case IH and New Holland brands.





Bobcat Company

Fargo-based Bobcat Company designs, manufactures, distributes and supports its versatile tractors for customers around the world. Bobcat steer loaders are the world's first choice for agriculture, light construction and landscaping. Bobcat Company is North Dakota's largest manufacturer and employees more than 3,300 people around the world.

Amity Technology

Fargo-based Amity Technology is North America's leading manufacturer of sugar beet harvesting equipment. Amity also is involved in the manufacturing of tillage equipment, soil sampling equipment, and markets the Greenseeker nitrogen sensor across much of the United States, Canada, Eastern Europe, and Russia. In 2005, Inc. Magazine named Amity Technology one of the fastest growing privately held companies in the United States.



Other North Dakota-based leaders in the U.S. agricultural equipment industry include:

- Fargo-based Brandt Holdings Company, with John Deere and Vermeer equipment dealerships in 10 states.
- Titan Machinery, Fargo, markets a full line of agricultural equipment from 29 dealerships throughout the Upper Midwest. Titan markets Case IH and New Holland agricultural equipment and short line equipment to meet specialized needs of its customers.
- Sund Manufacturing Company, Newburg, N.D., is a family-owned business that manufactures and markets harvesting equipment throughout North America, Europe, Australia and Mexico.

Ukraine is North Dakota's seventh largest export market. And nearly all of the state's exports to Ukraine are of machinery (94 percent). In 2006, North Dakota exported about \$37 million in merchandise to Ukraine. Machinery made up all but about \$2 million of the sales. Of North Dakota's top 10 foreign markets, exports to Ukraine grew the fastest last year, increasing 195 percent compared to the previous year. North Dakota equipment manufacturers and dealers continue to increase their machinery exports to Ukraine, surpassing 2006 first-quarter results by more than 25 percent.

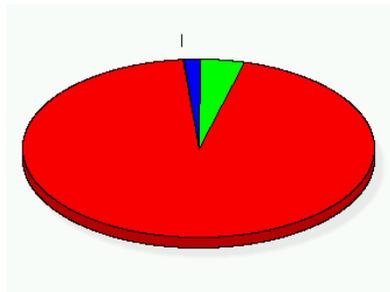
Exports from North Dakota to Ukraine

Machinery and Total of All Manufactured and Processed Goods

Numbers are in thousands (\$ USD)

Item	2001	2002	2003	2004	2005	2006	2006 thru Mar	2007 thru Mar	% change 2005 to 2006
Total	256	0	697	2,661	12,696	37,494	20,894	26,361	195.3%
333 Machinery Manufactures	256	0	697	2,661	12,660	35,394	20,304	25,478	179.6%
336 Transportation Equipment	0	0	0	0	0	1,489	0	829	n/a
111 Crop Production	0	0	0	0	0	564	555	55	n/a
311 Processed Foods	0	0	0	0	0	30	30	0	n/a
332 Fabricated Metal Products	0	0	0	0	0	12	0	0	n/a
326 Plastic & Rubber Products	0	0	0	0	0	5	5	0	n/a

2006 Exports from North Dakota to Ukraine



Product	Value (\$)	Percent
Machinery Manufactures	35,393,747	94.4 %
Transportation Equipment	1,488,569	4 %
Crop Production	564,129	1.5 %
Processed Foods	30,486	0.1 %
All Others	17,079	0 %
Grand Total	37,494,010	100 %

Source: The Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce

F. After-Sales Service Capability

North Dakota agricultural equipment companies are committed to providing after-market equipment service, knowing that customer support is especially critical to developing successful long-term business in Ukraine's emerging agricultural industry. Participating companies are seeking Ukraine distributors willing to properly equip, adequately staff, train and commit to providing end users with complete post-sales training and service. North Dakota-based agricultural equipment companies are taking other steps, individually and cooperatively, to ensure that end-users get the after-sales support they need

Agricultural equipment companies are working with the North Dakota Trade Office and North Dakota State College of Science (NDSCS) to develop a cooperative program whereby mechanics for Ukrainian distributors will receive comprehensive training for equipment service and repair.

As part of the annual Demo Days program to be held in Ukraine, equipment companies will provide field demonstrations as well as service and repair training.

Participating equipment companies have expressed the need to hire a Ukraine sales representative who will be charged, in part, with overseeing distributors and making sure they have the resources and training needed to provide complete after-sales service.

The Trade Office and participating companies also are committed to traveling to Ukraine as part of trade missions or individually to expand export sales and to manage after-market sales efforts.

Sources:

- 1) The Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce.
- 2) U.S. & Foreign Commercial Service
- 3) Oxford Business Group
- 4) U.S. Department of Agriculture, Foreign Agricultural Service
- 5) United Nations Statistics Division
- 6) U.S. Department of State
- 7) The World Bank

3. Project Description

A. Work Plan

A chart summarizing the staging of this work plan is provided in Appendix 4. Appendix 5 is a more detailed work plan.

- 1) Prepare, Conduct and Evaluate Demo Days in Ukraine.

The best way to sell any product, including agricultural machinery, is to get it in front of prospective buyers – to demonstrate its performance.

The North Dakota Trade Office proposes to do just that in Ukraine. Referred to as “Demo Days” in this document, this event will be designed to demonstrate U.S.-built agricultural equipment in Ukrainian fields.

In addition to equipment demonstrations, there will be educational workshops and opportunities for potential buyers to meet with U.S. equipment manufacturers and/or dealers. Demo Days will likely be held in conjunction with an established farm show to optimize our target audience’s participation.

There will be a great deal of preparation prior to hosting the first Demo Days in an effort to lay a solid foundation for what is expected to be an annual two-day event. Equipment manufacturers and dealers and Ukraine contacts report that the most opportune time to demonstrate the equipment will be in the fall, in order to showcase harvesting and tillage equipment in the field.

Agriculture shows in Ukraine are currently being researched. Funds have been allocated in this grant application to attend AgroForum in Kiev, November 14-17, 2007. The purpose of attending AgroForum in 2007 is to determine if the show is a good fit in conjunction with Demo Days. Attendees to this show and Trade Office contacts in Ukraine will be canvassed to determine if they recommend Demo Days to be held in conjunction with AgroForum.

Current research also suggests the event be held in the Kiev area, where most farm shows are held. The date and location of this event will be thoroughly evaluated as we begin execution of the project.

A list of farm shows to be held in Ukraine can be found in Appendix 6.

Once the date and location of Demo Days has been established, the Trade Office will recruit agricultural equipment dealers to attend the event. Agricultural equipment manufacturers and dealers increasingly are aware of current and future Trade Office's efforts underway in Ukraine and, if not already involved, have expressed strong interest in pursuing business relationships there. Letters of interest from agricultural equipment manufactures and dealers can be found in Appendix 7.

Specific timelines, reporting requirements, financial obligations and promotional considerations will be negotiated with each participant. Once the participation agreements are signed, the Trade Office and North Dakota-based USEAC will begin collecting information for Gold Keys or International Partner Searches to recruit potential buyers to the event.

Planning for this event will include:

- Arranging travel and lodging
- Equipment shipments to Ukraine
- Recruiting and scheduling speakers
- Marketing the event through private contacts and Ukraine media
- Organizing the event schedule.
- Ordering food and beverages
- Determining on-site audio-video equipment needs.

At the end of each Demo Days event the Trade Office, ITA team member, applicable NAUU personnel and the U.S. Commercial Service will evaluate the project to identify successful strategies and performances, shortcomings and future opportunities. This evaluation will be part of the planning process for the next event. Special consideration should be made regarding those attending the most recent event and if there should be a shift in the target audience for the Demo Days.

2) Identify potential buyers for agricultural equipment

Using all resources available through the ITA, the U.S. Commercial Service, National Agricultural University of Ukraine (NAUU) and current exporter contacts, the Trade Office will research, screen and qualify potential Ukrainian buyers of U.S. agricultural equipment. Potential buyers will be targeted for all Demo Days and agricultural equipment promotions. All the while, work will continue to update the list of qualified buyers to attend the annual event.

Attendees targeted for the 2008 Demo Days will consist of agricultural dealers, distributors and owners/managers of large farm operations. Once business relationships are established, the event may be expanded to include other farm equipment operators. In the long term, demonstrations will be “hosted” by Ukrainian dealers and distributors, although U.S. involvement will continue to be an integral part of the sales events.

3) Produce Marketing Materials

Great consideration will be given to the promotion of the first event with the expectation the established branding will continue in subsequent years. Once, the U.S. equipment manufacturers and dealers have established business contacts, the target audience for future events may shift from potential distributors and dealers to end users or a combination of all three groups. However, the purpose of the Demo Days events – to provide equipment demonstrations, education and make sales – will not change.

The Trade Office is referring to the event as “Demo Days” for the purposes of this proposal, yet understands the final brand name must be an appropriate Ukrainian terminology. Also, with the help of the Ukrainian team members, the proper means of promoting the event must be determined. In the United States, a similar event would be advertised with promotional flyers, advertisements in agricultural publications, through direct mailing and Internet marketing. Effective marketing tools may vary in Ukraine.

In addition to creating promotional materials for the event, the Trade Office will assist the participating agricultural equipment manufacturers and dealers with their individual promotional materials to insure they are translated correctly and produced in the proper medium.

The same attention to promotional materials will be paid to the Demo Days’ on-site signage and hand-out materials.

A plan to manage and encourage publicity through earned media in the United States and Ukraine will be developed and executed before, during and after the event.

4) Hire Sales Representative in Ukraine

Maintaining business relationships today require more than daily e-mails and telephone calls.

This project allows for participating companies and this grant team to hire an in-country sales representative who will be charged with building on the business relationships initiated through Gold Key meetings and Demo Days events. The sales representative must be bi-lingual and well versed in Ukrainian agriculture industry. He or she must also be able to travel throughout Ukraine and internationally.

The sales representative will be managed by the North Dakota Trade Office and will work closely with the ITA, U.S. Commercial Service, the NAUU and participating U.S. companies. As an “ear to the ground” the sales representative will be able to alert the agricultural equipment manufacturers and dealers of opportunities, trends, service issues or any problems that arise.

The sales representative also will be involved in developing Demo Days events and attending other agricultural events throughout the country.

Another aspect of this position will be to promote and encourage training for distributors and/or dealers that partner with our U.S. equipment manufacturers and dealers.

5) Lay Ground Work for Training Program

A lack of post-sales service is a major barrier to market growth in Ukraine and other areas new to U.S. equipment. The Demo Days events will include after-market service and repair training and introduce prospective buyers to a long-term program for effective post-sales support.

North Dakota State College of Science (NDSCS) offers certified courses in farm equipment mechanics. Independent of this grant, NDSCS is developing a similar curriculum available to international students with emphasis on Russian-speaking students. NDSCS is exploring offering training courses in Ukraine in addition to their North Dakota campus. Ukraine Demo Days will provide for a recruiting opportunity for this program. The Trade Office will use instructors from NDSCS to provide educational classes during Demo Days.

A summary of the current agricultural equipment training program at NDSCS can be found in Appendix 8.

B. Performance Measures

Since inception the North Dakota Trade Office has surveyed member-exporters on an annual basis to gauge the value of Trade Office services. Participants at Trade Office educational events also evaluate the programs' value to their businesses. Surveys will be developed to record progress of this project and to evaluate its value. The survey will be developed to satisfy cultural and language differences.

1) Applicant-Designed Measures

(a) Annual Member Survey

The Trade Office surveys active exporters on an annual basis. The purpose of these surveys is to assess the value of Trade Office programs and services and to gather recommendations for improvement or expansion. The surveys also help the Trade Office develop benchmarks for export expansion and provide an opportunity to measure the Trade Office's impact on export volume. Account executives, who are assigned to individual exporter accounts, deliver the surveys to their accounts personally. Account executives follow through to make sure surveys are completed and any issues are addressed. Results from these surveys are tabulated and reported in aggregate. The Exporter Survey Results 2006 are included in Appendix 9. A sample of the 2007 Exporter Survey is in Appendix 10.

Surveys collected from exporters involved in Demo Days can be tabulated as a separate group and their results reported in aggregate form.

(b) Event Evaluations

Every event hosted by the Trade Office is evaluated based on participants' survey results. Demo Days will be no exception. Demo Days guests and U.S. companies will be asked to evaluate the event.

Reported and measured in the event evaluations will be:

- Total Attendance
- Attendee type (distributor, dealer, farmer, manager, tradesman)
- Speakers expertise, presentation and information value
- Demonstrations' effectiveness
- Location
- Event Dates
- Accommodations

Appendix 11 is a sample of a survey report from a Trade Talk seminar on Tax Tips.

To measure Demo Days' success, participating U.S. companies will be surveyed six months after each event. The equipment manufacturers and dealers will be asked to report their progress and sales value resulting from their participation in Demo Days. Company sales information will be kept confidential and reported in aggregate form only.

(c) Media Mentions

Part of the Trade Office's mission is to educate the public about the importance of exporting. One way to accomplish this is to report positive news to the media. Demo Days, hiring a Ukraine sales manager and the success of this project will be promoted through news conferences, news releases, meetings with newspaper editorial boards and other media relations. The Trade Office communications director intends to promote this project locally, nationally and within Ukraine. All resulting news articles and broadcasts will be documented.

Samples of international promotions are included in Appendix 12.

(d) Sales Representative in Ukraine

One of the goals for the Ukraine sales manager will be to assist in tracking the progress of this project. The job's pay may be directly tied to sales of U. S. agricultural equipment.

A typical sales management plan will be established with the sales representative. Measured in that plan will be the contact he/she has with potential buyers in Ukraine in addition to sales. A similar quarterly performance measure is in place with current Trade Office staff.

The sales representative's measurable tasks will include:

- Number of per week contacts
- Number of contacts with potential partners
- Number of training referrals
- Number of completed training courses.
- Attendance at Demo Days (2009 and on)
- Number of partnership agreements reached
- Sales from current partners
- Sales from new sources
- Inventory ordered

2) International Trade Administration performance measures

A condition for participation in this project will be the agricultural equipment manufacturer or dealers' commitment to report related sales activity to the Trade Office or ITA on a quarterly basis.

All Trade Office exporter-members voluntarily provide export information to the Trade Office with the understanding company sales data is confidential and any public reporting of the information is to be used in aggregate form only. Currently the Trade Office collects this information on an annual basis and following each trade mission. For purposes of the Demo Days project, the Trade Office will give the participating exporters the option of reporting export data directly to our ITA team leader or to the Trade Office.

Below are the ITA reporting requirements as the Trade Office has interpreted them.

- (a) Initial reporting for exporter:
 - i. Name, city, state, contact information and current exporting status
- (b) Exporter Quarterly reports to Trade Office and/or ITA
 - i. Value of exports delivered or contracted
 - ii. Value of competitive developments: agreements, loss avoided investments, etc.
 - iii. Jobs created or maintained
- (c) Trade Office reports for ITA
 - i. Value of target market—
Track annual industry share for North Dakota and US
 - ii. Date each participation agreement is signed.

3) Performance measures and reporting

The Trade Office will develop a system whereby staff will send quarterly reminders to participants in this project and follow through to make sure the reports are submitted in a timely manner.

The Trade Office will evaluate each event immediately following its conclusion and compile the information within two weeks of the events. This information will be included in quarterly reports to be shared with the Core Partners.

4) Trade Office/Project Team Internal Performance Measures

Objectives of this project are:

- Increase farm equipment exports from North Dakota to Ukraine
- Increase U.S. farm equipment exports to Ukraine
- Educate Ukrainian agricultural equipment distributors and buyers the value of providing after-sale service and inventory for the U.S. equipment
- Provide a venue for referrals to U.S. agricultural equipment training programs
- Work with ITA, USCS, NAUU, DSU and NDSCS to provide an informed and comprehensive exporting program for participating exporters.

The Trade Office will measure success based on internal goals listed below:

- i. Twelve agricultural equipment manufacturers or dealers participating
- ii. Adherence to the timeline included in this report
- iii. A minimum of 40 qualified potential Ukrainian buyers/partners in attendance at the first Demo Days, 60 to the second
- iv. Realize a minimum of four distributor /dealer partnership or purchases agreements for U.S. exporters in Ukraine in 2008; six in 2009
- v. The Trade Office predicts North Dakota exports to Ukraine will increase an average of 56 percent each year between 2007 and 2010- resulting in an total increase of machinery exports to Ukraine of \$300 million in that time period. (According to Trade Stats, North Dakota exports to Ukraine were \$256,000 in 2001 and 0 in 2002. Between 2004 and 2006 North Dakota Exports to Ukraine have increase an average of 72 percent. The 2006 total was \$35,394,000.)
- vi. North Dakota machinery exports to Ukraine will exceed the nation's overall machinery export growth by 10 percent during the course of this project. (Over the last three years U.S. machinery exports to Ukraine have averaged 46 percent.)
- vii. A favorable rating (3.5 out of five or above) from participants in each Demo Day event
- viii. Provide a service to participating exporters for at lease one third of the cost it would be for them to do a similar project on their own.
- ix. Receive at least a "satisfactory rating" for providing the tools to increase exports from participating exporters in the annual Trade Office survey.
- x. Quarterly reports are submitted to ITA on a timely basis
- xi. Budget compliance throughout life of project

C. Partnerships and Resources

1) Core partners

The Trade Office understands that the success of this project is largely dependent on the assistance of others. The Trade Office expects to establish a core team made up of representatives from the International Trade Administration (ITA), the North Dakota-based U.S. Commercial Service and the Ukraine-based U.S. Commercial Service office. The core team will meet in Washington, D.C. annually and via conference calls quarterly or as needed. Members of this team will be in contact with one another frequently as common issues need be discussed.

In addition to this core team, additional information and cooperation may be required from United States Department of Commerce resources such as BISNIS (as long as it's available), Market Access and Compliance and SABIT.

(a) International Trade Administration (ITA)

In 2004, Trade Office staff canvassed the state and surveyed North Dakota exporters to learn more about their export assistance needs. In the process, the Trade Office learned that the state's agricultural equipment sector is larger and more dependant on international markets than they realized. Recognizing that the state's machinery manufacturers and dealers are capable of export expansion in a short time, the Trade Office has worked with Padraic Sweeney directly and through the North Dakota U.S. Export Assistance Center (USEAC) to expand the sector's export volume. In March 2007, Padraic Sweeney was invited to participate in the Trade Office Global Conference. Sweeney provided a well-attended export market presentation and met individually with agricultural equipment exporters to better learn about their products.

The Trade Office would like to draw upon ITA's (specifically the agricultural equipment specialists) expertise in foreign markets, international trade regulations and international market strategy. At this point, the Trade Office considers the ITA's role in this project as one of project advisor and to help establish and meet performance measures.

The Trade Office seeks ITA staff assistance in developing a job description for a Ukraine sales representative, defining equipment training considerations, to identify qualified buyers and to evaluate the success and improvements for subsequent Demo Days.

(b) U.S. Commercial Service (USCS) – North Dakota

The North Dakota Trade Office and Heather Ranck, International Trade Specialist with the Fargo-based United States Export Assistance Center (USEAC), share an almost seamless working relationship. The USCS presence was established because of a Trade Office report defining the need for more export assistance in this area.

Heather Ranck, director of the North Dakota USEAC, participates in Trade Office strategic planning sessions and quarterly meetings. She has traveled on most Trade

Office-sponsored missions including the trip to Kazakhstan, Russia and Ukraine in October 2006

The Trade Office provides office space for the USCS and also funds a full-time employee, Sharon May, who reports to Ranck.

Trade Office memberships includes a \$750.00 rebate on Gold Keys or International Partner Searches (IPS).

The North Dakota USEAC will be integrally involved in recruiting potential buyers and assisting exporters involved with this project. The North Dakota USEAC will also provide liaison assistance with other federal programs, provide research and initiate Gold Keys or IPS services.

(c) Foreign Commercial Service – Ukraine

Ranck will be leaving for a temporary assignment in Ukraine in August 2007. Ranck was specifically requested to fill the position of Richard Steffens, Senior Commercial Officer, who has requested leave for about three weeks. The Trade Office understands Ranck was selected for this assignment because of the volume of work generated in Ukraine by North Dakota and because of the potential sales growth our exporters can realize in Ukraine.

In October 2006, the Trade Office-sponsored a trade mission to three the Former Soviet Union countries that included a certified trade mission to Ukraine. The Trade Office worked with Steffens and Irina Dushnik.

An administrative fee was paid to organize:

- Interpreters during Gold Key meetings;
- The dealership tour;
- Transportation vans;
- Food and beverages at the Ambassador's residence reception

As part of the Ukraine trade mission, the USCS conducted five Gold Keys for WCCO Belting, Brandt Holdings, Gates Manufacturing, DuraTech Industries, and Sund Manufacturing. The USCS also performed an International Partner Search for DuraTech Industries. Those Gold Key & IPS services were valued at \$2,967.

To execute this project, the Trade Office will request the Ukraine-based USCS conduct several combinations of IPS and Gold Key service to develop Demo Days invitation lists and appointments. The Ukrainian USCS office will also be helpful with other Demo Days arrangements and marketing the events.

The Trade Office also will rely on the Ukrainian USCS office to screen candidates for the sales representative position, to help with translations and provide expertise regarding marketing strategy in Ukraine. The Trade Office understands there may be charges for these services.

(d) Market Access and Compliance – (MAC)

Christine Lucyk, senior policy advisor for the USCS offices in Russian, Ukraine and Eurasia has reported, “...there is no specific market access or compliance issues related to agricultural equipment sales in Ukraine.” A copy of this email exchange can be found in Appendix 13.

If any concerns of compliance or market access arise, the Trade Office will again contact Lucyk for assistance.

(e) USEAC – Minnesota

North Dakota was once served by the Minneapolis, Minn., USEAC. Should there be participating exporters in Minnesota or South Dakota the Trade Office will be very comfortable working with that office and would enjoy renewing working relationships with Ryan Kanne, USEAC Director, and Doug Jacobson, International Trade Specialists.

2) Other Federal resources

(a) Export-Import Bank (Ex-Im)

Ex-Im Bank is the official U.S. export credit agency. Mike Howard, Ex-Im’s Midwest regional director for Business Development, has made several trips to North Dakota both as a speaker at Trade Office events and to visit clients. The Trade Office expects exporters participating in this project will consider working with Ex-Im Bank as they export agricultural equipment to Ukraine.

(b) Overseas Private Investment Corporation (OPIC)

When available and appropriate, the Trade Office will work with OPIC to develop this project or other aspects of the Trade Office’s entire export enhancement initiative. Currently, Ukraine is an OPIC country “in review.” Deborah Moronese, Insurance Officer-Small Business Center met with exporters from this region when she was a presenter at the Trade Office Global Business Conference in March 2007.

OPIC helps U.S. businesses invest overseas, fosters economic development in new and emerging markets, complements the private sector in managing risks associated with foreign direct investment, and supports U.S. foreign policy.

(c) SBA Office of International Trade

Nancy Libersky, Regional Manager of the International Trade Programs for the U.S. Small Business Administration, works with many North Dakota exporters and often makes herself available to the Trade Office for consultation.

The mission of SBA's Office of International Trade is to enhance the ability of small businesses to compete in the global marketplace; facilitate access to capital to support international trade; ensure that the interests of small business are considered and reflected in trade negotiations; and support and contribute to the U.S. government's international agenda.

(d) USDA Foreign Agriculture Service (FAS)

Although the project varies from the FAS mission, its focus is rooted in agriculture. The Trade Office maintains an excellent working relationship with the FAS and finds their services and research extremely valuable when promoting North Dakota's agricultural industry.

The FAS has a global network of agricultural economists, marketing experts, negotiators, and other specialists that few organizations can equal. FAS agricultural counselors, attachés, trade officers, and locally employed FAS staff stationed in over 90 countries support U.S. agricultural interests.

In addition to agricultural affairs offices in U.S. embassies, agricultural trade offices also have been established in a number of key markets and function as service centers for U.S. exporters and foreign buyers seeking market information. FAS overseas offices serve as the department's "eyes and ears" for monitoring international issues. FAS counselors and attachés work hand-in-hand with the country's ambassador and other components of its team. They work to ensure that agriculture's market access, food aid, capacity building, biotechnology, and information gathering remain at the forefront. When problems arise in our export markets, counselors and attachés play a critical role in providing immediate assistance to our exporters.

D. Project Funding Priorities

1) Cost Reduction and Innovation

This project will allow agricultural equipment manufacturers and equipment dealers to build the U.S. market in Ukraine at a fraction of the cost if participating companies were to go it alone. Also, the cooperative effort will help grow the Ukraine market for U.S. equipment much faster than if U.S. companies relied on their individual resources. The project's advantages for exporters will include the assistance and expertise of several sources and the economies of scale achieved by working together. The risk of selling to Ukraine is considerably reduced with the project's collective involvement and know-how.

At this time there are U.S. and North Dakota agricultural equipment exporters with successful sales operations and partners in Ukraine. An *Inc. Magazine* article illustrating North Dakota business ties to the Ukraine market is included in Appendix 20. The Trade Office has been and will continue to learn from their successes and share them with exporters who are new to the market. Hosting equipment demonstrations and receptions, developing market research and hiring an in-country sales representative is beyond the capacity of most individual equipment manufacturers and dealers.

Challenges to business success generally boil down to lack of adequate money, time and expertise. The North Dakota Trade Office will work with officials within the International Trade Administration and the U.S. Commercial Service to provide a comprehensive program backed by solid research to pre-emptively address what market challenges arise. The result for the participating agricultural equipment manufacturers and dealers will be the ability to begin and continuously grow their exports to Ukraine at a much faster rate and at less cost than if they did it themselves.

It must be noted, this project will be used as a template to develop like programs in other countries where agricultural equipment is in high demand. Countries under consideration for future projects are: Kazakhstan, Russia, for sure and possibly Brazil, China and India when it is determined our equipment is a good fit for those countries.

2) Increased Competitiveness of U.S. Industries

With the breakup of the Soviet Union, there is opportunity for Ukrainians to increase farm production through the use of the best, most efficient equipment. U.S. agricultural equipment, especially equipment built and used in North Dakota, is most suitable to meet Ukraine's similar production needs.

The Trade Office is not aware of a similar project being introduced in Ukraine at this time. Research suggests the Ukraine market is sufficiently stable and demand for U.S. farm equipment is great. The timing is good to aggressively enter Ukraine.

By stressing the importance of providing post-sale maintenance, repair and parts inventories – just as Ukrainians are reinvesting in their farm operations – is an extremely valuable and timely service that will instill consumer loyalty for decades to come.

The first Demo Days will not only allow U.S. companies to demonstrate the advantages of their superior equipment, but it will also help establish their commitment to providing post-sales services. Subsequent Demo Days and the hiring of an in-country sales representative will further solidify the event's sustainability and U.S. manufacturers' reputation for providing essential post-sales service.

3) Inventory Control

The equipment companies involved in developing the Demo Days project understand the need to provide in-country inventory. Inventory control training is an important part of this project. Progress in achieving properly managed inventories must be supervised by the core partners and the sales representative in Ukraine.

As part of the commitment to providing in-country inventories, a group of agricultural equipment companies are considering investing in a Ukrainian warehouse to serve as a cooperative inventory center. This option is still available, pending the outcome of this project.

4) Education and Training

A concurrent message throughout this project's development has been the need for support training – both for laborers who will service and use agricultural equipment and also for sales and marketing personnel.

Dickinson State University and North Dakota State College of Science, two North Dakota higher education institutions, are integrally involved and committed to this project as is the National Agricultural University of Ukraine. Their involvement will lead to:

- increased exports of U.S. agricultural equipment
- better trained agricultural technicians and operators of U.S. agricultural equipment

- added U.S. enrollment of foreign students
- formation of valuable international relations with students who will become decision makers and future business leaders.

Outside this project, the Trade Office has employed ten student interns who have been a valuable asset to exporters. Due to their association with the Trade Office three export assistants have been offered full time, international trade related positions. Currently a Russian speaking intern, also trained as a Trade Office export assistant is working part time (due to visa requirements while a student) for an exporting agricultural equipment dealer.

5) Export Awareness

Public relations, project marketing and communications are at the very core of the Trade Office's business plan. Trade Office Communications Director Jeff Zent travels on most trade missions, reporting to news organizations on the successes of missions.

The North Dakota Trade Office is committed to increasing public awareness about the importance of export sales and to promoting its member companies.

With assistance from U.S. embassy personnel, the Trade Office has successfully promoted trade mission delegates by receiving significant news coverage in the United States as well as in China, Kazakhstan, Russia, Ukraine, Taiwan and several countries in Southeast Asia.

The Trade Office has produced translated promotional materials for use by the U.S. Commercial Service in recruiting qualified Ukrainian agricultural equipment buyers to attend North Dakota's Big Iron Farm Show and International Visitors Program Sept. 10-13. The Trade Office also will sponsor key foreign journalists from Ukraine and Canada to attend Big Iron. The journalists have agreed to publish reports in their home countries regarding the North Dakota farm show's innovative equipment manufacturers and dealers.

Similar promotional and marketing strategies will be developed for Ukraine's Demo Days. Informational materials will be developed to aid in recruiting Demo Days attendees. Key Ukraine publications and broadcast media will be targeted to promote the events and participating U.S. companies. The Trade Office will produce translated advertisements, flyers, event signage and other materials to promote the events and support media organization's needs. The Trade Office also will invite and host journalists to attend the events and educate them about the participating U.S. companies and how their innovative equipment can improve production efficiencies and put more money into the pockets of Ukrainian farmers.

Trade Office staff regularly meets with regional newspaper editors and directors at broadcast stations to educate them on trade related issues and trends and to update them on Trade Office programs, events and exporter achievements. The Trade Office has established a good working relationship with regional media organizations and continues to develop contacts with national and foreign media groups.

National media coverage in the United States has included articles in Forbes magazine, USA Today and broadcasts by Fox News New York and National Public Radio.

Foreign media coverage includes an article published in the China Post regarding a North Dakota trade delegation visiting Taiwan, and reports by Kazakhstan's Astana Television 31 and Astana newspaper bureau Inerfax Kazakhstan regarding North Dakota's October 2006 trade mission to that country.

Since the Trade Office's formation in 2005, North Dakota regional media organizations have published/broadcast more than 400 news reports – all positive about the Trade Office, its programs, North Dakota state export trends, state trade missions and profiles of many of the state's successful export companies. See Appendices 12 and 14 for examples of Trade Office-initiated news coverage promotions.

6) Foreign Policy Objectives

The project proposed in this grant application calls for expanding U.S. market share in a country still developing its free market system. Agricultural equipment, by its very nature, will help the citizens of Ukraine develop natural resources and grow its economy. The participant's agricultural equipment companies in this project offer the most innovative, efficient and highest quality equipment to meet the need of Ukraine's emerging agricultural industry.

The companies participating in this project are committed to performing the due diligence that success will require. They also are committed to providing the after-market services that long-term business demands.

The Trade Office and participating companies would like to initiate this project in Ukraine and expand to other high-demand markets. Other Former Soviet Union countries are candidates for similar market expansion efforts. Countries such as China, India and Brazil are also under consideration although specific agricultural parallels still need to be identified.

4. Credentials

A. Project Leaders and Staff

The North Dakota Trade Office is wholly invested in developing long-term export expansion initiatives for agricultural equipment manufacturers and distributors, one of the state's most successful industry sectors. Assigned to this project are five Trade Office staff members who are proven professionals in international business and marketing. They bring a wealth of experience working with public and private sector resources to achieve common goals.

1) Susan Geib, Executive Director

Trade Office Executive Director Susan Geib is leading the Trade Office in all aspects of Ukrainian market expansion. It is predicted she will spend five percent of her time working on this project. Geib's resume is attached in Appendix 15. Geib's ability to organize a sales organization and keep a project on task will be a great benefit to this project.

Geib is a former Vice President and General Manager of International Business for Microsoft Business Solutions (formerly Great Plains Software). Geib's international and export expertise comes largely from starting the international business practice for Great Plains (now Microsoft) in 1989 which grew from zero to 50 countries in nine years. Her efforts grew to represent a significant portion of Great Plains overall business and were one of the highest growth areas of the company.

Over the course of her career, Geib has lived, worked and taught within the international business arena in Asia. She is a former university professor, teaching brand management and customer relationship management. Early in her career, Geib worked for Kraft/Philip Morris Inc. (now Altria) in brand management. She also directed client relations for Leo Burnett Advertising on Proctor & Gamble and Nestle accounts.

2) James Burgum, Account Manager/Project Manager

Trade Office Account Manager James Burgum will serve as manager on this project. He is working directly with 30 agricultural equipment companies that are either expanding their export sales to Ukraine or intend to enter the market. Burgum will spend approximately 30 percent of his time working with equipment manufacturers and distributors, developing Demo Days and managing the sales representative in Ukraine. Burgum has traveled with every Trade Office mission and is carrying the agricultural equipment portfolio for the organization. Prior to joining the Trade Office full time, Burgum worked in Governor Hoeven's office and, in that capacity, helped organize and attended Trade Office sponsored trade missions. Burgum's resume can be found in Appendix 16.

Burgum joined the North Dakota Trade Office as an Account Manager in August of 2006. In this role James focuses on assisting clients through the export process, special events, and trade mission management.

In the Governor's Office Burgum directed youth initiatives and international trade programming, as well as serving in areas such as legislation analysis, energy and conservation policy, workforce development, special event management, special projects, and public relations.

3) Jeff Zent, Communications Director

Communications Director Jeff Zent traveled to Ukraine in the fall of 2006, his third trade mission. For each mission, he coordinates media in the United States and within the countries targeted for market expansion. Zent will develop all Demo Days promotional materials. He is anticipating 15 percent of his time will be spent on this project. Zent's resume is Appendix 17.

Zent is responsible for implementing public relations programs and promoting Trade Office member-companies. His work includes educating the public about North Dakota's export initiatives and the importance that export sales have on the state's economy.

Prior to joining the Trade Office, Zent worked as a reporter and editor at daily newspapers in Texas and North Dakota. During his nearly 15 years in journalism, Zent won many writing awards including recognition by the National Newspaper Association, the Texas and Arkansas Associated Press Managing Editors and the North Dakota

Newspaper Association for feature writing, investigative reporting and community service. His newspaper experience includes reporting on presidential races, international trade issues, business news and the federal court system.

A North Dakota native, Zent earned bachelors degrees in journalism/public relations and criminal justice from the University of North Dakota.

4) Cherie Harms, Development Director

Cherie Harms leads the Trade Office's exporter services in Western North Dakota where her office is located. Since several equipment manufactures and dealers are in her proximity, she will assist Burgum on this project by communicating with participants in person, when needed.

As the Trade Office's development director Harms has been responsible for most grant applications and execution. Harms has been the lead for events including Trade Talks and the Global Business Conference. Her experience with grants, event planning and marketing will be utilized through out the life of this project. It is anticipated, she will spend four percent of her time on execution of this grant. Her resume can be found in Appendix 18.

Harms was appointed to the North Dakota District Export Council more than 10 years ago when she was president of Makoché Recording Company. She has served as the North Dakota DEC's vice chairman. Harms took Makoché to the European marketplace and developed expertise in licensing intellectual property in Asia, Europe and Canada. Harms has held management, broadcasting and marketing positions in Bismarck, Fargo, Grand Forks, Dickinson and Williston.

Harms' work experience has served the Trade Office well in helping companies realize international opportunities and in linking businesses with the resources they need to succeed in the international marketplace. A North Dakota State University graduate, Harms has more than 20 years of marketing experience and is a former communications and advertising instructor at the University of North Dakota Williston.

5) Lindsey Warner, Marketing Assistant

Lindsey Warner is a marketing assistant for the North Dakota Trade Office. She expects to devote five percent of her time assisting Zent in developing Demo Days promotions and event planning. Lindsey's resume is Appendix 19.

Warner previously worked as a communications specialist for Microsoft Corporation. She also is an accomplished photographer who has won two awards for photo excellence.

Warner studied at Minnesota State University Moorhead, earning her bachelors degree in Mass Communications and a minor in Spanish.

The table below illustrates the estimated time each Trade Office team member will spend on this project:

<u>Position</u>	<u>Project Work Description</u>	<u>% of time</u>
		a
Acct. Manager		30%
Events Coordinator		5%
Communications Trade Office Executive		15%
Development Director		5%
		4%

B. Other Resources

1) Higher Education

The Trade Office will work closely with the North Dakota Department of Higher Education, specifically North Dakota State College of Science (NDSCS) to implement equipment training courses and Dickinson State University (DSU) which has 26 Russian-speaking students and a cooperative agreement with the National Agriculture University Ukraine (NAUU).

(a) National Agricultural University Ukraine-(NAUU) and Dickinson State University (DSU)

Through their relationship with DSU, the NAUU has offered a variety of services to the North Dakota Trade Office. During the trade mission in Ukraine in November 2006, the NAUU hosted a reception for mission delegates and their potential clients. The NAUU also gave delegates tours of the facilities including what may be the Demo Days grounds and warehouse space. NAUU and Trade Office personnel also began discussions to establish an equipment showroom at NAUU. Communications between the NAUU and the Trade Office have been facilitated by Victor Udin who is a consultant for DSU. Udin's resume is included in Appendix 20. Udin and Dr. Lee Vickers president of DSU were part of the Trade Office mission in Ukraine in November 2006.

NAUU would like to be involved with this project. During the first few months of execution of this project, an agreement with NAUU will be finalized.

The agreement with the NAUU will involve the following

- Space for Demo days
- Space for agricultural equipment storage prior, during and after Demo Days
- Office space for sales representative in Ukraine
- Assist with Demo Days arrangements
- Marketing and media advice
- Training facilities
- Translation services

A letter of support from NAUU can be found in Appendix 21 and information about NAUU can be found in Appendix 22. A letter of support from DSU can be found in Appendix 23.

(b) North Dakota State College of Science (NDSCS)

NDSCS is developing a training program specifically for the agricultural equipment partners in Ukraine. Instructors from NDSCS will be enlisted as presenters for Demo Days. Demo Days and the sales rep in Ukraine will be referral sources for this agricultural equipment service, maintenance and inventory control curriculum offered by NDSCS. A copy of NDSCS's letter of intentions is included in Appendix 24 and information about NDSCS's agricultural equipment training program is Appendix 8 as previously mentioned in the Project Description section.

(c) North Dakota Department of Higher Education

North Dakota's colleges and universities are governed by the state Department of Higher Education. One goal of the Department is to increase enrollment through the recruitment of international students. In the last four years, the North Dakota Legislature allocated \$200,000 of higher education funding to provide internship opportunities for international business students. The Trade Office will utilize these funds to further develop an internship program. These interns may work on this project or be placed with a participating exporter's business.

2) North Dakota District Export Council (DEC)

The North Dakota District Export Council provided the impetus to establish the Trade Office. The two organizations work closely together. A DEC liaison serves on the Trade Office advisory board, and a member of the Trade Office staff is a member of the DEC board. A list of the DEC board members is attached in Appendix 25.

North Dakota DEC members are generous mentors to exporters. Tom Shorma, President of WCCO Belting in Wahpeton, N.D., also vice chairman of the North Dakota DEC, was a delegate on the Fall 2006 mission to Former Soviet Union. Shorma has extensive exporting experience with agricultural equipment and currently has a partnership with a Ukrainian distributor.

3) State Resources

(a) North Dakota Department of Commerce

Shane Goettle, Commissioner of the North Dakota Department of Commerce (Commerce), serves on the North Dakota Trade Office advisory board. The legislative funding for the Trade Office is channeled through Economic Development and Finance (ED &F) – a branch of the Commerce Department. Goettle is extremely supportive of Trade Office efforts. He successfully lobbied the North Dakota Legislature to double Trade Office appropriations in 2007. (The appropriations received overwhelming support from lawmakers.) Goettle has attended Trade Office-sponsored missions and intends to do so in the future.

The North Dakota Development Fund, a division of Commerce, provides financial assistance to North Dakota companies. At the Trade Office's request, the Development Fund established a special loan program for exporters to participate in trade missions. On a much larger scale, the Development Fund provides low-interest financing or provides capital by taking an equity position in qualified companies. This service is used by many exporters when they establish their businesses or find themselves in the position to expand due to increased sales.

The Trade Office and ED & F work together on many mutual issues facing manufacturers and exporters. Those issues include workforce, job retention, access to capital, foreign direct investment opportunities and business recruiting. ED & F also has many research capabilities and has been extremely helpful to the Trade Office by determining economic factors affecting North Dakota businesses exporting impact on the North Dakota.

(b) Office of the Governor

Expanding North Dakota Exports through the establishment of the Trade Office has been a cornerstone of Governor John Hoeven's economic initiatives. The Governor's office has provided counsel and support to the Trade Office every step of the way.

While Governor Hoeven is well aware of Trade Office activities, Lt. Governor Jack Dalrymple is actively involved in the Trade Office operations. Dalrymple serves as Chairman of the Trade Office advisory board and has traveled on most of the Trade Office - sponsored trade missions. In the private sector, Dalrymple is a farmer and is board chairman of Dakota Growers Pasta Co. Dalrymple's participation in Trade Missions and other initiatives has helped exporters break into new foreign markets – especially in markets where government support is paramount to establishing trust and close business ties.

(c) Bank of North Dakota (BND)

North Dakota is the only state in the nation to own its own bank. The Bank of North Dakota (BND) works with businesses to put together financing packages and works with primary lenders to guarantee loans for qualified businesses. BND recently started a venture capital program, yet seldom offers loans directly to businesses. The BND can provide North Dakota exporters with a major advantage in solidifying sales agreements with foreign customers.

BND executives and loan officers have been involved in every training session sponsored by the Trade Office (and the North Dakota DEC) and are very supportive of Trade Office efforts. Last December, the BND president, chief operating officer and four loan officers spent half a day with Mike Howard, regional director of Ex-Im Bank, a large group of North Dakota exporters and local bankers to discuss export finance options. As a result of this meeting, the Trade Office and BND agreed to work together to help educate exporters about available financing and to help them through the application processes. This service will be a tremendous benefit to agricultural equipment exporters as they enter the Ukrainian market where access to capital can be a challenge.

(d) North Dakota Department of Agriculture

North Dakota Agriculture Commissioner Roger Johnson is a member of the Trade Office Advisory Board. North Dakota is a national leader in the production of 13 crops. The export of these commodities is monitored by the North Dakota Agricultural Department. Johnson and his staff have always been supportive of the Trade Office and North Dakota District Export Council and often offer assistance regarding exports of agricultural commodities.

(e) Dakota Manufacturing Extension Partnership (MEP)

The Dakota Extension Partnership, which serves North Dakota and South Dakota, stands ready to work with equipment manufacturers in need of gearing up for export expansion. The MEP is a non-profit organization that provides technical support to the state's manufacturers, assisting them to increase company competitiveness, productivity and profitability. Many successful exporters have been assisted by MEP, provides "lean manufacturing" assistance. The current focus for MEP is supply chain management which, on several levels, will be an extremely helpful resource for agricultural equipment manufacturers that export to Ukraine.

(f) Economic Developers North Dakota (EDND)

The Trade Office enjoys a cooperative working relationship with economic development organizations throughout the state. The mission of the Economic Development Association is to increase economic opportunities for North Dakota residents by supporting primary sector growth, professionalism among economic development practitioners, and cooperation among development organizations. With the missions of EDND and the Trade Office closely aligned, the economic developers are able to provide resources to exporters and the Trade Office.

(g) Small Business Development Centers (SBDC)

The North Dakota Trade Office works with the SBDC in a number of areas. The mission of the SBDC is to help individuals start, manage and grow their businesses. The Trade Office and the SBDC share clients and make referrals to each other. SBDC services of value to exporters are: Business Plans, Financial Projections & Budgeting, Operating Challenges, Purchase or Sale of a Business, Funding Your Venture, Loan Packaging.

C. Trade Office Structure

The North Dakota Trade Office is a non-profit (501c 6), private-public partnership dedicated to expanding North Dakota trade through advocacy, education and expertise.

The Trade Office is charged by the state Legislature to serve the state's business community in expanding their markets throughout the world. Since its formation in 2005, the Trade Office has performed international market research for more than 100 companies, helping them identify export markets best suited for their products and services. Assisting companies in identifying the most promising export markets is just the beginning. To help companies capitalize, the Trade Office and its network of export service providers offer assistance in every step of the export process.

The Trade Office has built a large network of export service providers – professionals dedicated to North Dakota and ready to help companies realize and benefit from export opportunities. The Trade Office also works closely with the North Dakota Department of Commerce, the North Dakota District Export Council, the U.S. Commercial Service as well as other private and public institutions to ensure that businesses get the support they need to expand in the global marketplace.

The Trade Office's services include:

- Market-entry research and planning
- Project assistance for international market development and execution
- Assist North Dakota businesses in finding qualified, well-suited international distribution partners
- Export education and certification
- Coordinating trade missions that connect North Dakota businesses with high-level trade officials and qualified importers in high-demand markets
- Generating valuable publicity for exporters on a statewide and industry wide basis
- Quarterly meetings with trade experts who share their insight about export opportunities and trade issues

The North Dakota Trade Office is directed by an advisory board largely made up of leaders from some of the state's most experienced and successful export companies. Lt. Gov. Jack Dalrymple currently serves as the board's chairman. A list of these members can be found in Appendix 26.

D. Industry Representation

Within the state of North Dakota there are more than 30 export ready agricultural equipment manufacturers and equipment dealers. The Trade Office and the North Dakota-based United States Export Assistance Center (USEAC) have assisted more than half of them on exporting efforts and are prepared to assist more equipment exporters. Though the Trade Office is a North Dakota-based organization, the services offered through this project will be available to other equipment manufacturers and dealers – provided the services compensated by North Dakota tax dollars are prorated for non-North Dakota participants. Moreover, many of North Dakota's equipment dealers report they draw on equipment located throughout the United States for export sales.

Agricultural machinery is North Dakota's leading merchandise export. Global demand for North Dakota's agricultural equipment continues significant growth. Last year, the state's machinery exports increased 26 percent compared to 2005, and have increased 87 percent since 2001. In 2006, the state exported \$817 million in machinery - primarily agricultural equipment. The machinery exports represented 54 percent of all the state's merchandise exports.

Agricultural equipment manufactured and sold in North Dakota is well suited for Ukraine farmers' needs. In North Dakota and Ukraine, farmers work similar soils, grow the same crops and are challenged by similar weather conditions.

Travel to Ukraine, USCS research and commissioned studies, all indicate that the Ukraine market will continue to grow. The Trade Office is writing this grant in order to take full advantage of Ukraine's market potential.

E. Ability to Execute

1) Trade Missions

In little more than three years, the Trade Office worked with U. S. Commercial Service (USCS) to organize the following trade missions:

Below is a list of Trade Office sponsored missions:

- March 19-2004 Taiwan and Japan,
- October 7-18, 2004 China
- October, 2005 France Italy and Spain
- March, 2006 Australia
- April, 2006 SE Asia
- June, 2006 Taiwan
- October, 2006 Kazakhstan, Russia and Ukraine
- November 2006 Red Deer Alberta
- March 2007 Thailand

Each mission received favorable reviews from exporters and resulted in new market entry and substantially increased international sales.

Speaking before the National Lieutenant Governors Association last year, Tom McGinty, Deputy Director General of the U. S. Commercial Service, said the North Dakota Trade Office and the North Dakota-based office of the U.S. Commercial Service are relatively new organizations that already have made a lasting impact on the state's economy. McGinty spoke before the National Lieutenant Governors Association on July 17, 2006 in Seattle, WA.

The North Dakota Trade Office and Heather Andrea Ranck, the Commercial Service's North Dakota-based International Trade Specialist, have organized five highly successful trade missions to Taiwan, Australia, Southeast Asia and Europe and three Former Soviet Union Countries, McGinty said.

"These trade missions have brought over a dozen rural companies to new export markets and they have yielded millions of dollars in new business to the state," McGinty said.

2) Events

The Trade Office has executed over 30 Trade Talk seminars in 21 locations and held a Global Conference attended by more than 350 exporters and international business resource providers.

A two-day Global Conference received high marks from attendees. When asked if the event was well organized, 67 percent of survey respondents completely agreed, followed by 32 percent who agreed. When asked if the sessions were appropriate, 95 percent of the respondents agreed or strongly agreed. When asked if they would attend another conference sponsored by the Trade Office, almost 91 percent of survey respondents claimed they would attend. Appendix 27 includes the agenda for the Global Conference. Appendix 28 is the Global Business Conference survey results.

The survey data and experience gathered from these events will serve the Trade Office well when planning Demo Days.

5. Finance and Budget

- A. Form 424A can be found in Appendix 29.
- B. The Budget for Project Award Period is Appendix 30.
- C. Supporting Documentation
 - 1) Appendix 31 is the project's personnel budget.
 - 2) Appendix 32 is the worksheet prepared by the grant applicant.

In this worksheet, expenses for each of the following categories are itemized by travel, equipment, supplies, contractual, personnel and other.

The same budget is presented three different ways. The first three columns itemize total expenses during the entire grant period. The second group of columns (four including the total column) show how project funds will be spent each year of the grant period. The last set of columns (three) shows fund origins.

In the far right section, the first column itemizes cash expenditures that will ultimately be split between the federal grant funds and the Trade Office. The second column indicates funds collected from participating exporters. The third column is a reflection of anticipated in-kind funds. The source of the in-kind funds is also listed in an adjacent column.

D. North Dakota Trade Office Financials

Trade Office financials are schedule for an audit review in late September 2007.

A copy of the North Dakota Trade Office Balance sheet, Profit and Loss and Cash flow statements for July 2006 – May 2007 and the last biennium to date (July 2005 – May 2007) is attached in Appendix 33.

E. Budget Discussion

1) Matching Funds

The Trade Office's operating budget will cover the majority of matching funds. In the next two years, the Trade Office budget will exceed \$2.2 million. Of those funds, \$1.5 million will be state appropriations and \$700,000 will come from the private sector and other sources.

Expansion into Ukraine is a priority for the Trade Office and \$128,898 has already been earmarked to expand equipment exports in this promising market. Currently there are nearly \$500,000 in carry over funds in the Trade Office budget from the 2005-2007 biennium.

In the grant budget, participating exporters are budgeted to contribute \$83,000 toward the implementation of this project. These collected funds will be used to:

- Cover travel costs to Ukraine
- Share in the cost of Demo Days marketing materials
- Partial Gold Key and IPS services
- Pro-rated share of shipping costs

The Trade Office understands that by collecting the fees indicated in this grant, the participating exporters' expenses will not be completely satisfied. However, the Trade Office plans to collect fees in order to solidify a commitment to the program and to save money in areas most affected by economies of scale (travel, printing and shipping). Based on the value of the services delivered and exporters' support of the project, collecting the fees required for this grant should not be difficult.

Participating universities and colleges will contribute in-kind donations of \$50,000 which is conservative figure.

The National Agricultural University of Ukraine (NAUU) is expected to contribute in-kind donations and assistance valued at \$42,000. The in-kind contributions are:

- Twenty four months of office space for a sales representative,
- Warehouse space for incoming agricultural equipment
- Space for Demo Days display and demonstrations
- Assistance in developing and hosting Demo Days events
- Translation services

During the past two years, officials from the NAUU have been extremely generous in assisting the Trade Office. When asked what motivates this generosity, it was explained that the Ukraine government would like to integrate the University within the business community and form strong business ties with the United States. A copy of the NAUU's letter of support can be found in Appendix 21.

In the development of this project, the Trade Office secured a general agreement with the president of North Dakota State College of Science (NDSCS) to develop a training program specifically designed to support agricultural equipment sales to Ukraine. In this grant, we have budgeted \$7,200 for NDSCS in-kind donation for Demo Days training programs and materials. A copy of the NDSCS's letter of support can be found in Appendix 18, which was previously mentioned in the Credentials segment.

2) Sustainability

The funding requested in this grant and fees collected by the Trade Office should be considered a kick start for a program that, over time, can be self sufficient. Once established, participating companies should fund the on-going project with a percentage of revenue from their export sales.

Trade Office experience shows that once exporters realize market potential and begin making sales, they are more willing to invest. One of the goals of this project, as listed in Performance Measures, is to provide the services necessary for successful Demo Days and to hire a sales representative in Ukraine at one-third the cost of participants proceeding alone. Once the grant is expended, the Trade Office anticipates continuing to manage Demo Days and the sales representative in Ukraine with a combination of increased fees collected from participating exporters (a commission on sales, perhaps) and state funds. Overtime, the use of state funds to subsidize this project will eventually be replaced by private-sector investment.

Demo Days could become a minor generator of revenue depending on demand and success of the events. If conditions are favorable, an entrance fee could be charged.

F. Summary of Financial Assistance Awards

1) Rural Business Enterprise Grant (RBEG)

United State Department of Agriculture

Grant Award \$99,633.00

Account # 40-009-08416336215

Grant Period June 30, 2005-December 30, 2007

Contact:

Mark Wax

Grant Administrator

USDA Rural Enterprise

P.O. Box 1737

Bismarck, ND 58502

(701) 530-2029

mark.wax@nd.usda.gov

The purpose of this grant is to increase exports from Southwestern North Dakota. With these grant funds, exporters have been offered online export certifications classes, USCS export education classes, Gold Keys and event registrations at no charge. The grant also has funding the hiring of five student interns from Dickinson State University. The students have been trained as export assistants and have concluded more than 200 research assignments and prepared five export market entry plans.

2) United States Department of Commerce Economic Development Association

(EDA)

\$50,000 EDA Grant

Project Number: **05-88-04212**

Grant Period October 2005-June 2007

John C. Rogers

Economic Development Representative

(406) 449-5380

P.O. Box 578

Helena, MT 59624

JRogers4@eda.doc.gov

Jodi Duncan
Grant Administrator
1244 Speer Boulevard, Room 670
Denver, Colorado 80204-3584
303-844-4901
JDuncan1@eda.doc.gov

The EDA grant is used to provide all North Dakota companies and the general public with export education. These funds were primarily used for the Global Business Conference held March 22 and 23, 2007 in Fargo ND. In addition, EDA funds were used to supplement online export training for 19 student interns and 20 Trade Talk educational seminars held in 14 locations throughout the state.

3) ND State Legislature

The state Legislature appropriated \$700,000 in operating funds to the Trade Office for the 2005-2007 biennium. The funding was included in the budget for the North Dakota Department of Commerce Economic Development and Finance Division, but specifically marked for Trade Office operations. The funding was issued based on the private sector's commitment to export expansion efforts. To fund Trade Office operations, the private sector donated more than \$1.00 for every \$2.00 appropriated by the state.

In the most recent Legislative session, state lawmakers overwhelmingly supported doubling the Trade Office's budget to \$1.4 million during the 2007-2009 biennium. These funds are again contingent on the private sector investing \$700,000 in export expansion programming.

During the 2005 and 2007 legislative sessions, the North Dakota State Department of Higher Education allocated \$100,000 to the Trade Office for the development of internship programs for students attending a North Dakota University. The 2007 allocation has a requirement for the colleges and universities to match the \$100,000.

G. Evidence of Financial Responsibility

During the last biennium, the Trade Office collected private sector funding that exceeded the required match by \$400,000. Despite the increase in revenue, the Trade Office held to its original budget of \$1.1 million, enabling the non-profit organization to fund a long term export enhancement strategy – Ukraine agricultural equipment export project.

The North Dakota Legislature doubled the Trade Office's budget largely because 2006 exports from Trade Office-member companies alone generated \$1.8 million in tax revenue – a good return on the original investment of \$700,000. Regional Economic Modeling, Inc. (REMI) calculated the sales revenue based on export sales reported by Trade Office members – another testament to the Trade Offices ability to execute. Appendix 34 is a copy of that REMI report.