

trade matters

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CornsTalk

A publication of the Nebraska Corn Board

to Nebraska's ag economy

ALSO IN THIS ISSUE

- What happens when trade agreements are renegotiated?
- Nebraska beef headed to Israel
- Nebraska's Mexican connection
- International organizations creating global demand

95% of the world's population lives outside the U.S.

That's why trade matters to Nebraska's ag economy.

With the productivity of U.S. agriculture growing faster than domestic demand, U.S. farmers and agricultural firms rely heavily on export markets to sustain prices and revenues. And while most of the corn produced in Nebraska stays in the state to be processed through livestock or ethanol plants, exports are still a critical factor in the economic success of Nebraska's corn farmers.

"At the end of the day, a bushel of corn that leaves the U.S. for a foreign marketplace is a bushel of corn that adds value to the corn we grow and process right here in Nebraska," said David Merrell, a St. Edward, Nebraska, farmer and chairman of the Nebraska Corn Board. "About 1 in 3 bushels of U.S. corn is exported in some form. Without exports, that corn would stay here in the U.S., creating a huge surplus and depressing prices all across the country, including here in Nebraska."



"Corn producers in Nebraska are especially well positioned to benefit from international trade," said Philip Seng, president and CEO of the U.S. Meat Export Federation. "You have an abundant



and reliable supply of corn, and you're a top producer of red meat. More than one-fourth of your pork and about 14 percent of your beef is exported, allowing Nebraska to capitalize on the world's growing appetite for high-quality red meat."

This track record of abundance is a key reason behind Gov. Pete Ricketts' increased emphasis on international trade missions. Since he took office, Gov. Ricketts has led missions to Japan, China and the European Union.

Gov. Ricketts has placed a high priority on leveraging Nebraska's global leadership in agriculture production and creating export opportunities for the state's farmers and ranchers. "Our goal is to add value to every bushel of Nebraska corn we grow by transforming it into ethanol, distillers grains, biochemicals, and protein such as beef, pork, dairy and poultry," Gov. Ricketts said. "These trade missions are focused on positioning Nebraska as a preferred provider of these products and creating sustained demand to keep our state's top industry thriving."





Gov. Pete Ricketts looks on as a Chinese chef prepares Nebraska beef during a trade mission to that country. China recently announced that it will resume imports of U.S. beef, creating a huge market opportunity for Nebraska.



Greg Ibach

“Relationship building continues to be important, but we’ve shifted our primary focus during these missions to activities that have an immediate or near-term impact on demand and sales,” said Greg Ibach, director of the Nebraska Department of Agriculture. “We’re aggressively asking for the business, and it’s making a measurable impact. The China mission alone resulted in nine purchase agreements for Nebraska beef and pork exports to that nation.”

In Europe, the market share for Nebraska beef has grown from 5 percent in 2015 to 50 percent today, according to Ibach.

“The Japanese would insist on having access to what they called ‘Interstate 80 beef’. The quality of Nebraska beef is something that is truly prized in Japan and throughout Asia.”

Philip Seng | *President & CEO* U.S. Meat Export Federation

Red meat exports help put corn farmers in the black.

In 2015, red meat exports added **45¢ per bushel** to the price of corn. Based on an average yield of 200 bushels per acre at \$3.60 per bushel, that’s an **additional \$90 per acre** in revenue for a corn farmer.



EXPORT QUIZ

Can you put these top five U.S. corn customers in order?

- ___ JAPAN
- ___ COLOMBIA
- ___ PERU
- ___ MEXICO
- ___ SOUTH KOREA

(Answer on page 8)

Niche products offer opportunity for Nebraska producers

“A key to global growth for Nebraska ag products lies in identifying specific consumer preferences or expectations in a marketplace and matching our producers and our packers to supply that demand chain,” said Greg Ibach, director of the Nebraska Department of Agriculture.

A great example is in Hastings, where WR Reserve, a beef processing company, has been approved by the Israeli government as a source for kosher beef for import. WR Reserve is the only Israeli-approved kosher beef facility in the U.S. and as a result, the company is planning a \$4.5 million expansion that will add approximately 100 jobs to the Hastings area.

Officials celebrate the announcement of shipments of kosher beef to Israel from the WR Reserve facility in Hastings. From left: Dave Rippe, executive director of the Hastings Economic Development Corporation; Lt. Gov. Mike Foley, Fischel Ziegelheim, managing partner of WR Reserve; Greg Ibach, director of the Nebraska Department of Agriculture.



What happens when trade agreements are re-evaluated?

U.S. agricultural exports have been larger than U.S. agricultural imports since 1960, generating a surplus in U.S. agricultural trade. This surplus helps counter the persistent deficit in non-agricultural U.S. merchandise trade.

At the same time, leaders in Washington, D.C. have made trade a hot topic as they propose to rethink America's current trade agreements and participation in trade talks.

Chris Novak, CEO of the National Corn Growers Association, said there is some value in taking a second look at trade agreements to ensure that the U.S. is getting a fair shake. But there is a downside, especially when it comes to breaking apart multilateral agreements involving several countries and, instead, negotiating one-on-one with individual nations.

“You're more or less going back to Ground Zero, but now, instead of one negotiation, you have a dozen or more,” said Novak. “History has shown us that these negotiations are not something you can hammer out overnight. It can take three to five years or more—even with a bilateral deal.”



“Farmers are the most international of any businesspeople in the United States today.”

Tom Sleight | *President & CEO U.S. Grains Council*



When trade is renegotiated?

Tom Sleight, president and CEO of the U.S. Grains Council agrees. “You can’t use the words ‘fast’ and ‘trade agreements’ in a sentence at the same time,” he said.

In the meantime, the U.S. stands the risk of losing valuable market share. “Not having trade agreements in place is going to provide an advantage for many of our competitors during a time when we’re fighting for access to every bushel of demand here at home and around the globe,” Novak added.

“If the U.S. is not part of a trade agreement, somebody else will fill that vacuum,” said Sleight. “A great example is the TransPacific Partnership (TPP) that the U.S. recently decided to exit. Obviously, China wants to fill that void with their own version of TPP and capture that rapidly growing market in Southeast Asia and the Pacific Rim.”



In the 2015-16 marketing year, the U.S. exported **\$5.2 billion worth of corn** to countries with which we have **Free Trade Agreements (FTA)**...but only \$3.4 billion to non-FTA countries.

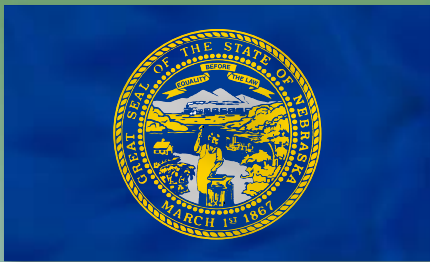


China’s severe air quality problems are creating a huge opportunity for clean-burning ethanol from the U.S. According to the U.S. Grains Council, key markets with significant promise for U.S. ethanol exports include China, Mexico, India and Japan. Exports of ethanol drive global demand, which helps sustain Nebraska’s ethanol industry and the corn farmers who depend on it.

Q If we don’t have a trade agreement in place, can we still sell ag products to other countries?

A Not having a trade agreement in place does not totally shut out the U.S. from doing business with a nation. But if there is no trade agreement, countries can establish quotas on the amount of product they import from any single country or impose duties and tariffs. If the U.S. has to pay a duty or tariff to ship its corn into a country—and a competitor such as Brazil, for example, does not—that puts the U.S. at a price disadvantage.

How important is Mexico to Nebraska agriculture?



Representatives of Mexico's grain buying industry visited Nebraska in May 2017 to discuss their interest in maintaining positive trade relations with the U.S. and Nebraska.

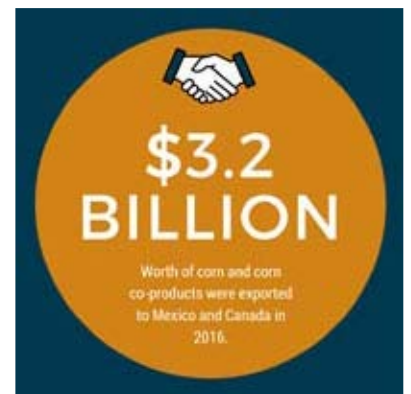
The North American Free Trade Agreement (NAFTA) is a trilateral trade agreement between the U.S., Canada and Mexico that was implemented in 1993. "NAFTA has been a significant boon to Nebraska agriculture," said Alan Tiemann, a Seward, Nebraska, farmer, Nebraska Corn Board Director and former chairman of the U.S. Grains Council. "It makes sense that we have free and open trade with our neighbors to the north and south."



Since 1994, U.S. corn exports to NAFTA partners have increased by a factor of seven!

"The U.S. has a logistical advantage in terms of serving the Mexico market," said Tom Sleight, President and CEO of the U.S. Grains Council. "We can ship by truck, rail or water—and our proximity provides for lower transportation costs. We have a better grading system and a reliable supply of high quality corn."

Nebraska is especially well-positioned to serve the Mexico market. Several grain elevators and cooperatives have shuttle trains that go directly to livestock producers and food processors in Mexico.





LEFT: Jon Doggett, executive vice president of the National Corn Growers Association, addresses the media during a news conference.

RIGHT: Grain buyers from Mexico join Gov. Ricketts and officials from corn-related organizations in Nebraska and Washington, D.C. for a photo.

Top 5

Nebraska Exports to Mexico

1. **CORN**
[\$287 million]
2. **SOYBEANS & SOYBEAN PRODUCTS**
[\$190 million]
3. **BEEF**
[\$148 million]
4. **SUGARS & SWEETENERS**
[\$68 million]
5. **DISTILLERS GRAINS**
[\$43 million]

Source: USDA Global Agricultural Trade System, USDA Economic Research Service



NEBRASKA'S national rankings in agricultural production

Nebraska's prowess in agricultural production means we have to continually seek out markets for what we produce. Here's how Nebraska stacks up nationally in some key agricultural products:

- #1 Commercial red meat production**
8.009 billion lbs.
- #1 Cattle on Feed**
2.47 million head
- #2 All Cattle & Calves**
6.450 million head
- #2 Ethanol Production**
2+ billion gallons
- #3 Corn Production**
1.7 billion bushels
- #4 All Dry Edible Beans Production**
2.766 cwt
- #5 Soybean Production**
314.1 million bushels
- #6 All Hogs & Pigs**
3.4 million head

Source: USDA NASS

Key International Cooperators Promote Nebraska Ag in Global Markets

Through their corn checkoff, Nebraska corn farmers support the international activities of two major cooperators focused on developing export markets. Nebraska checkoff funds are leveraged with those from other states and

stakeholders to obtain funding from the U.S. Department of Agriculture through its Market Access Program (MAP) and Foreign Market Development (FMD) program.

A recent study concluded that the return on investment in these export promotion programs is

28 to 1!



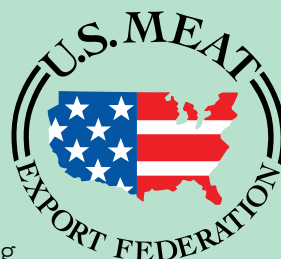
Founded in 1960, the Council is a private, non-profit corporation with 10 international offices and programs in more than 50 countries. Its unique membership includes producer organizations and agribusinesses with a common interest in developing export markets. The U.S. Grains Council develops export markets for U.S. barley, corn, grain sorghum and related products, including ethanol and distillers dried grains with solubles (DDGS).

The U.S. Grains Council Mission:
Developing Markets • Enabling Trade • Improving Lives

grains.org

The mission of USMEF is to increase the value and profitability of the U.S. beef, pork and lamb industries by enhancing demand for their products in export markets through a dynamic partnership of all stakeholders.

USMEF is a unique collaboration of meat export stakeholders working together to implement successful international marketing programs. Through its network of international offices on four continents, USMEF is working to put U.S. meat on the world's table.



usmef.org

ANSWER TO QUIZ ON P. 3

THE TOP 5 CUSTOMERS FOR U.S. CORN



1. MEXICO
[13.321 million metric tons/\$2.52 billion in value]



2. JAPAN
[10.391 million metric tons/\$1.83 billion in value]



3. COLOMBIA
[4.547 million metric tons/\$776 million in value]



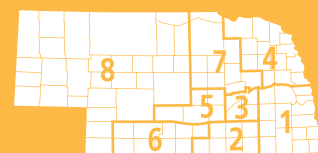
4. SOUTH KOREA
[2.964 million metric tons/\$540 million in value]



5. PERU
[2.383 million metric tons/\$403 million in value]

FYI: The next five are Taiwan, Saudi Arabia, Venezuela, Canada and Guatemala

Source: USDA Foreign Agriculture Service's Agriculture Trading System report for marketing year Sept. 1, 2015 to Aug. 31, 2016



District 1
Dave Bruntz
Friend, NE



District 6
Dennis Gengenbach
Smithfield, NE



District 2
John Greer
Edgar, NE



District 7
David Merrell
St. Edward, NE



District 3
Brandon Hunnicutt
Giltner, NE



District 8
Jon Holzfast
Paxton, NE



District 4
Debbie Borg
Allen, NE



At-large
Alan Tiemann
Seward, NE



District 5
Tim Scheer
St. Paul, NE



Nebraska Corn Board members represent the eight districts indicated on the map and are appointed by the Governor. One at-large member is elected by the other Board members.

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