



2015 Annual Report



U.S. GRAINS
COUNCIL

Ethanol Export Promotion Heats Up

The U.S. Grains Council's (USGC's) ability to seek out, exploit and build demand from the ground up has made it an invaluable resource for U.S. farmers for more than five decades.

Nowhere was this unique contribution more evident in 2015 than the Council's ramped-up ethanol export promotion program supporting marketing year sales of more than 870 million gallons (3.2 billion liters) of U.S. ethanol to global customers.

The Council and its partners – Growth Energy, the Renewable Fuels Association and USDA's Foreign Agricultural Service (FAS) – are focused on promoting U.S. ethanol as a clean-burning source of fuel

to buyers and end-users around the globe. Along with other activities, this work was done in 2015 through:

- ongoing assessments of potential markets;
- bringing three buyers teams to visit the United States;
- bringing two groups of U.S. ethanol industry representatives overseas; and
- a series of workshops focusing on the environmental and economic benefits of ethanol use in China.

The ethanol export promotion program also saw an early success with a U.S. exporter confirming sales of 10 million gallons (37.85 million liters) of U.S. ethanol, valued at more than \$15 million, to Peru following a trade team's visit.





Ag Sees Action on Trade Policy

The Council works with partners around the world – including domestic and international grower organizations, industry groups and governments – to make progress on trade policies that will benefit farmers for decades to come.

Trade agreements hold the key to opening markets and resolving tariff and non-tariff barriers to allow the movement of coarse grains, co-products and other agricultural exports to where they are in demand.

After years of negotiations, trade ministers from 12 Pacific Rim countries including the United States announced in October that they had struck a Trans-Pacific Partnership (TPP) agreement that aims to standardize trade rules across 40 percent of the world's economy. The Council

participated in the TPP negotiations on behalf of the U.S. feed grains industry and applauded their completion. As TPP moves forward, the Council will support its sister grower organizations in their efforts to make the case for TPP's Congressional approval and implementation.

In 2015, the Council also engaged in the ongoing Transatlantic Trade and Investment Partnership (T-TIP) negotiations, focusing on the priority objectives of achieving market access and progress on biotechnology issues.

And even while the table was being set for future trade agreements, Council members reaped the benefits of already-enacted FTAs, including:

- Exports to Colombia, the third largest market for U.S. corn during the 2014/2015 marketing year, were up 23 percent in tonnage.
- Exports to the CAFTA-DR countries, including five Central American countries and the Dominican Republic, combined made up the fifth largest market for U.S. corn, with sales up 19 percent from a year ago.
- Exports to Korea made it the fourth largest market for U.S. corn; third largest for U.S. DDGS; and sixth largest for U.S. barley, all of which are permanently duty-free because of the FTA.

Promotion Leads to Sorghum Success in Colombia, China

The Council's successful U.S. sorghum promotion work this year highlighted the importance of both cultivating major market participants and diversifying farmers' customer base through relationship building and information sharing.

China's recent record imports of U.S. sorghum, which rose to 8.3 million metric tons (326.7 million bushels) in the 2014/2015 marketing year, has roots in work started more than 30 years ago when the Council first began its promotion of U.S. sorghum in that market.

In 2011, with the help of the United Sorghum Checkoff Program (USCP), the Council was able to reinvigorate programs there and generate new interest in the product, resulting in the first bulk shipment arriving in October of 2013.

Though China has been dominant in the sorghum market, finding new customers for U.S. sorghum has also been a critical part of the Council's work.

One example of success is in Colombia, where USGC promotion efforts for U.S.

sorghum included inviting buyers to the Council's Regional Buyers Conference, holding animal nutrition seminars and bringing a trade team of Colombian end-users to the United States to learn more about purchasing U.S. sorghum and incorporating it into animal rations. This work helped to overcome local misperceptions about the commodity and eventually led to Colombia importing 23,000 tons (905,464 bushels) of sorghum, almost filling its tariff rate quota (TRQ), near the end of 2015.

These purchases of U.S. sorghum happened just as the Council rolled out its first-ever *Sorghum Early Harvest Quality Report*. Like the Council's annual *Corn Harvest Quality Report*, the sorghum-focused report provided accurate and transparent information to help international buyers understand the initial quality of the U.S. crop as it entered merchandising channels. In markets like Colombia and China, the new sorghum report was used to highlight the excellent quality of U.S. sorghum and promote future sales.





Exploring New Pockets of Demand

With nearly 95 percent of the world's consumers living outside the United States, overseas markets offer momentous growth opportunities for U.S. agriculture. The heart of the Council's work is to build specialized programs for market development to capture these opportunities for U.S. farmers and agribusinesses.

For example, when the Obama Administration announced it would seek to dismantle the 50-year-old restrictions on how companies and individuals interact with Cuba, the Council responded by refocusing attention there. This included sending leaders to the country as part of an agricultural learning mission and

following up with several targeted trade servicing visits to assess barriers and potential for programs in the market.

USGC staff and consultants also launched two independent aqua feeding distiller's dried grains with solubles (DDGS) trials in Vietnam, a historic first for that market. This research studied the impacts of different DDGS inclusion rates on feed conversion ratios and color of final filets to provide Vietnamese catfish producers with information about U.S. DDGS as a high-value feed ingredient.

In Mexico, the Council has ramped up barley promotion by hosting teams and

workshops for longtime end-users and new craft brewers just entering the market. Bringing U.S. producers and farmers together with malting plants and other industry leaders allows for direct interaction that will simulate and expand demand for U.S. barley malt.

In Canada, the Council's focus has been on creating expanded opportunities for U.S. DDGS through beef feeding trials. The results of the trials will assist in demonstrating that DDGS can be used at higher inclusion rates than previously thought relative to competing Canadian feed ingredients, which will help continue to grow exports of U.S. DDGS to Canada.



Maintaining Excellence in Mature Markets

Japan, Korea and Taiwan are all mature markets: high-income countries with stable and aging populations; excellent, high-quality diets; sophisticated food production and marketing systems; and among the highest food safety standards in the world. They are also all critical markets for U.S. feed grains and ongoing areas for engagement by the U.S. grains industry.

The Council's promotion of U.S. coarse grains in Japan for more than 50 years has contributed to the country remaining the top destination for U.S. corn exports. Japanese livestock producers are critically concerned with the reliability of foreign suppliers, so the efforts of USGC's on-the-ground staff in Tokyo and U.S. farmers who visit frequently are targeted at maintaining relationships with these customers and providing them with information about U.S. supply.

The Council is also building new market opportunities in Japan through food sorghum promotion including direct-to-consumer outreach to stimulate demand among health-conscious customers.

This year, a major Japanese network TV station aired an original story introducing U.S. white sorghum as a healthy grain to roughly 1 million consumers, a milestone for the Council's multi-year promotion of the food ingredient.

The Council has been active in Korea since opening an office there in 1972, with programs that have been instrumental in the growth of the Korean livestock and corn processing industries.

The Council will continue to seek increased U.S. market share in Korea's coarse grains and co-products import markets through customized trade servicing, educating importers on U.S. advantages and touting the benefits of doing business with the United States.

For example, Korea has a complex biotech regulatory system in which five agencies



review and approve biotech events. To help mitigate this cumbersome process and provide firsthand education to these policymakers, the Council brings a trade team of Korean food, environmental safety and risk evaluation committee representatives to the United States each year to learn how U.S. agriculture manages and regulates biotech crops.

The Council has been involved in Taiwan for more than 40 years, during which time it has grown into a steady, reliable buyer of U.S. coarse grains and co-products.

This year, as part of the Taiwanese Agricultural Goodwill Mission, a delegation signed a letter of intent with the Council committing to purchase 5 million metric tons (197 million bushels) of U.S. corn and 0.5 million tons of U.S. corn co-products valued at \$1.23 billion by 2017.

Participating in the Goodwill Mission was a critical piece of the Council's work to preserve Taiwan's preference for U.S. coarse grains and co-products. After the formal signing ceremony at the U.S. Capitol, members of the Taiwanese delegation undertook a week-long tour of the U.S. Grain Belt to see farms and grain elevators and meet with local leaders. While in the Midwest, a corn and soybean group met with government officials, farmers and agriculture groups in Iowa, Illinois, Kentucky and Minnesota.

The Council will continue to nurture its relationship with Taiwanese policymakers and industry leaders by bringing them to the United States for learning journeys, sending U.S. industry leaders to Taiwan and through direct trade servicing efforts.



Outreach Blossoms With Regional Conferences, Quality Reports

When global buyers and end-users learn the value of U.S. corn, they often become repeat customers. The Council's global network aims to make these connections in part through regular updates on crop progress, market conditions and supply availability.

This year, the Council held biennial regional buyers conferences in Latin America and Southeast Asia as hallmark events for grain users in those regions.

More than 100 buyers and sellers of U.S. coarse grains, representing 40 percent of the U.S. corn export market, gathered in Medellin, Colombia, in July for the Council's 2015 Regional Buyers Conference in Latin America. They reported that reliability and price were at the top of their purchasing checklists, with country of origin and financing not perceived to be as critical.

In August, more than a fifth of Southern Asia and Oceania's annual distiller's dried grains with solubles (DDGS) sales volumes were either inked or discussed during the buyers conference in Southeast Asia. The 335,000 metric tons of DDGS valued at \$81 million that was traded during the week of the conference marked a new record. In addition, during the conference

about 300,000 tons (11.8 million bushels) of corn and approximately 1 million tons of soy (including soybeans and soybean meal) were sold or negotiated.

The Council also has also been promoting DDGS in the Middle East and North Africa (MENA) region by bringing members to participate in consultations with sophisticated Saudi Arabian grain buyers and by having a longtime USGC consultant in Morocco who is also a poultry scientist travel regionally to have one-on-one meetings with local feed manufacturers and poultry producers. These meetings demonstrated how DDGS can reduce costs while maintaining or improving nutritional offerings for livestock.

Special outreach is also planned around the release of the Council's annual quality reports, which this year included harvest and export cargo reports for both corn and sorghum. During these rollouts, USGC staff and farmer members conduct face-to-face meetings on an individual basis or through conferences to present the reports to customers and ultimately help the United States maintain its leadership status in the global marketplace.

By offering unique and well-regarded information to interested buyers and end-users, the Council enhances the relationships between U.S. producers and buyers of U.S. grains and builds confidence in both quality and the Council as a partner in the global grain trade.



Planting Seeds in Future Markets

Many of the Council's successes today are the results of efforts to lay groundwork years – even decades – ago. The Council takes prudent risks and makes judgment calls every day that are necessary to build tomorrow's export opportunities.

Today, the Council is planting yet more seeds, led by its work in Tanzania to develop the poultry industry there with support from a USDA Food for Progress grant. This initiative was launched in early 2014 to help local feed producers and farmers provide a higher-quality product to consumers and, over the long term, build demand for coarse grains as feed.

In December, leaders from the Council traveled to Tanzania and South Africa. There, they saw the prospects for long-term growth in the Tanzania program and a potential near-term opportunity for exports to South Africa, where El Niño has created a severe drought and hurt local production.

The Council is also looking at new market opportunities in aquaculture in Southeast Asia; barley in Taiwan; sorghum in Japan; and DDGS in the Middle East and North Africa.

And, as the Trans-Pacific Partnership moves toward implementation, the Council is looking at what shifts will occur globally in grains and meat production to best position U.S. farmers and agribusinesses invested in grain.



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