ag exports MATTER to Kentucky’s ag economy

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• What happens when trade agreements are renegotiated?
• Beef and Bourbon: Creating demand at home
• UK Grain and Forage Center of Excellence moving forward
95% of the world’s population lives outside the U.S.

That’s why trade matters to Kentucky’s ag economy.

31% of U.S. gross farm income comes directly from EXPORTS

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 Kentucky stays in the state to be processed for feed, bourbon, food, or ethanol, exports are still a critical factor in the economic success of Kentucky’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 Kentucky,” said Philip McCoun, Shelbyville farmer and chairman of the Kentucky Corn Promotion Council. “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 Kentucky.”
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.

Source: US Meat Export Federation

$47,900,000
Total Value of Grain Trade to Kentucky’s Economy

$14,600,000
Contribution to Gross State Product

$1,630,000
Value of Corn Exported

$5,110,000
Value of Ethanol Exported

$7,880,000
Value of DDGS and CGF Exported

$10,790,000
Value of Corn Equivalent to Meat Exported

214
Number of Jobs Added to Commonwealth of Kentucky

Source: US Grains Council

Key international Cooperators Promote Kentucky Ag in Global Markets


Kentucky 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.

277 Million bushels of corn were exported through poultry and eggs

4.1 Million of those corn bushels came from KENTUCKY

Source: US Poultry and Egg Export Council

KEY EXPORT MARKETS

<table>
<thead>
<tr>
<th>CORN</th>
<th>ETHANOL</th>
<th>DDGS</th>
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<td>1. MEXICO</td>
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<td>2. JAPAN</td>
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<td>3. COLUMBIA</td>
<td>3. BRAZIL</td>
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Source: USDA Foreign Agriculture Service’s Agriculture Trading System report for marketing year Sept. 1, 2015 to Aug. 31, 2016
What happens when trade agreements are renegotiated?

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.”

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.”

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.

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 Kentucky’s ethanol industry and the corn farmers who depend on it.

Kentucky white corn is used in Mexican food products. In fact, one out of every 10 U.S. acres feeds Mexico and Canada.

U.S. distilled spirits exports topped $1.5 billion in 2013. Kentucky Bourbon and Tennessee whiskey made up more than $1 billion of that amount, making it the largest export category among all U.S. distilled spirits.

**Ranked by value, whiskies are ninth in the Commonwealth’s overall exports. Kentucky exported $311 million of whiskies to other countries in 2015, up $10 million from 2010, according the U.S. Census Bureau Foreign Trade data.**

The top five purchasers of Kentucky whiskies are Canada ($7,259 million), the United Kingdom ($2,558 million), Mexico ($2,304 million), China ($1,929 million) and France ($1,773 million), according to the Census Bureau.

Source: The Economic and Fiscal Impacts of the Distilling Industry in Kentucky
KyCorn Assists Local Ground Beef Program

To grow the local corn-fed beef market, KyCorn agreed in July to invest in a certificate of deposit that Beef Solutions, LLC will use as loan collateral for startup. This Kentucky Cattlemen’s Association venture also secured a $127 thousand grant from the Agricultural Development Board to begin operations.

Beef Solutions, LLC was formed to provide a pathway for Kentucky’s cattle producers to enter the market for locally-produced and marketed ground beef, guiding the product from the Kentucky farm to the meat counter. It will also provide a way for Kentucky consumers to purchase local ground beef and a way for Kentucky retailers to have a reliable, source verified product.

“Our farmers are thrilled to finally be able to offer Kentucky beef to consumers across the Commonwealth,” stated Dave Maples, Kentucky Cattlemen’s Association Executive Vice President. “As the largest beef producing state east of the Mississippi River, it is only fitting that we have our very own Kentucky beef product.”

The project will be worked on throughout the summer and a plan for a Kentucky Proud ground beef product to be on Kroger shelves is planned for Fall 2017.

“We believe this investment is an excellent way to support our cattle farmers who are feeding local corn to cows that will be harvested and processed in Kentucky,” said Philip McCoun, KyCorn Promotion Council Chairman. “KyCorn is excited to back a Kentucky-branded product.”


BOURBON

O.Z. Tyler Distillery in Owensboro is planning to triple production this fall, which will require 600 thousand additional bushels of local corn. KyCorn is assisting the expansion by providing a low-interest loan for grain storage and additional distilling equipment.

“Our job is to get Kentucky farmers a better price for their corn,” said KyCorn President and Daviess Co. farmer Richard Strode. “Using corn locally and not transporting it elsewhere is moving in the right direction.”

Strode also said that the distillery will be feeding the by-product, distillers wet grains, to cattle on reclaimed land in Madisonville.

According to the Kentucky Distillers Association, local corn use has increased 65 percent over the past three years among its members. KyCorn will work to see that trend continue.
Plans to construct the Grain and Forage Center of Excellence are full steam ahead a year after the University of Kentucky received a $15 million grant from the Kentucky Agriculture Development Board and land purchase assistance from KyCorn. The university will lease the 294 acres of highly-productive land adjacent to the UK Research and Education Center in Princeton from KyCorn to conduct large-scale field trials.

“We were happy to assist the University of Kentucky move a step closer to building the center,” said Philip McCoun, KyCorn Promotion Council chairman and farmer from Shelbyville, “and we are already seeing results as the center works to help Kentucky’s grain and forage producers.”

According to the center’s director Dr. Chad Lee, they are in the construction design phase and final drafts are being prepared for bids.

“The plan is to break ground in January 2018 and to move in around May 2019,” said Lee. “The building will expand research capabilities and increase space for conferences and more faculty and graduate students.”

Even though the building and surrounding property will be dedicated to grain and forages, Lee said that all research and education programs, from beef to horticulture, will benefit from the new space.

Lee said that research efforts are also improving. KyCorn has been funding an irrigated corn study for several years. The current lateral irrigation system only allows for managed plot trials, but a new pivot system on the leased land will be used for larger, field scale research.

Talent at UK is growing as well. Plant pathologist Kiersten Wise and weed scientist Travis Legleiter, formerly from Purdue, joined the team on July 1. Lee also attributes the impending center to attracting plant pathologist Carl Bradley, forage specialist Chris Teutsch, and a “phenomenal jump” in graduate students.

As plans for the center are coming together, Lee continues to raise funds to meet the $15 million KADF grant match, and he said he is always thankful for the support of Kentucky’s agriculture community.

To support the Grain and Forage Center of Excellence, contact UK College of Agriculture, Food & Environment Director of Philanthropy Marci Hicks at (859) 257-7211 or marci.hicks@uky.edu.
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