

# U.S. Grains Council: Creating Opportunities for U.S. Agriculture

---

Developing Markets  
Enabling Trade  
Improving Lives



# U.S. Grain Producers at the Crossroads



- Successful market development history
  - Production and competition are rising
  - Biotechnology and other ag technologies are changing everything – maybe even structure
  - New consumers emerging in developing countries
- ➔ A new world of opportunities for U.S. agriculture – new ways of thinking



# Then and Now

US Corn Industry	<b>1975</b>	<b>2008</b>
Corn production bbu	5.84	12.10
Feed use bbu	3.58	5.25
Ethanol use bbu	0	3.61
Total dom. use bbu	4.10	10.21
Exports bbu	1.56	1.89
Checkoff revenue (\$th)	500	30,000



# Overview

- Historical Perspective
- Challenges
- Opportunities
- Conclusions

# Historical Perspective

---



# Perspective of 50s and 60s

- Political instability
- Food shortages
- U.S. Grain surplus



# Agricultural Leaders Develop Solutions



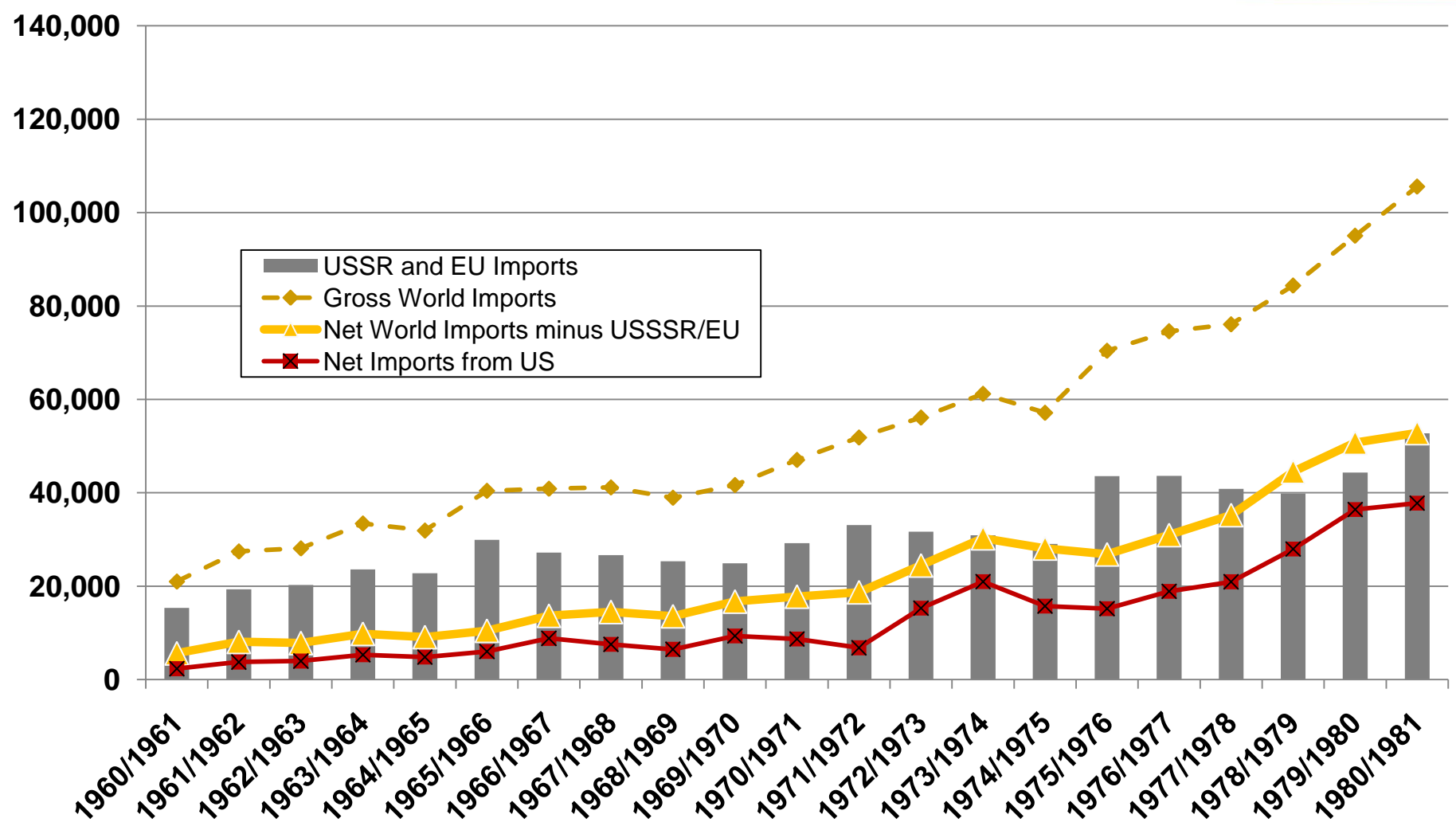
- Unique Japan weather event
- 1959 Hog lift - catalyst for market development
- Surplus grain shipped to Japan.
- Results Formation of U.S. Feed Grains Council, 1960



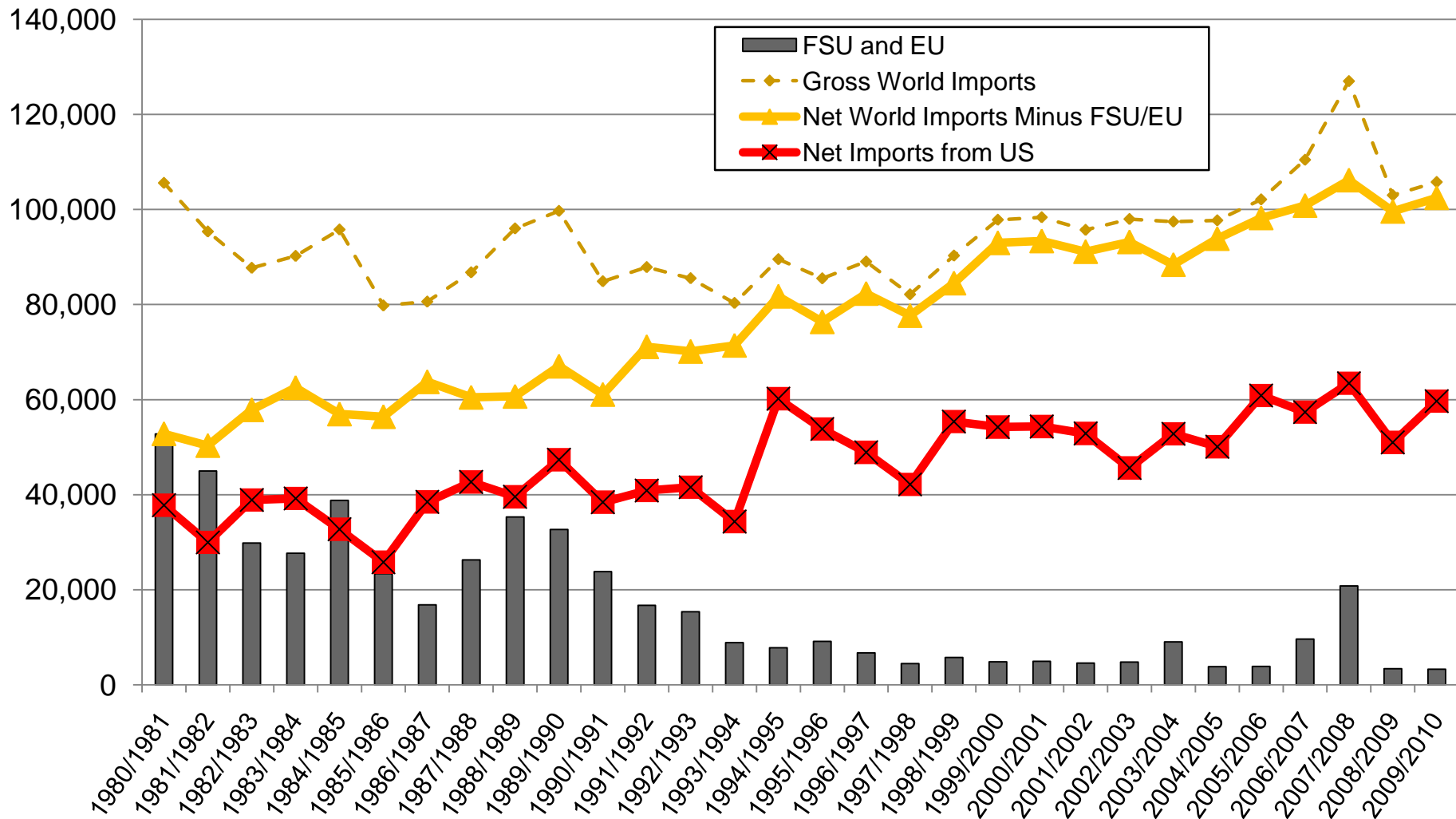
# U.S. Feed Grains Council

- Took risks
- Funded passage of corn checkoffs
- Applied technology
- Trained people
- Built capacity

# World Coarse Grain Trade 1960-1980



# What Happened Since 1980: World Coarse Grains Imports



# Program Results

- Improve food safety and consumer confidence
- Modernize processing, marketing, and distribution channels
- Expand consumer demand for meat, milk and eggs
- Enhanced political stability
- Mitigated hunger issues

# Trade Impact

- Grain
- Meat and poultry
- Milk
- Production inputs
- Genetic improvement
- Equipment
- Services
- Trade finance
- Logistics management



# Challenges



# Challenges

- Governance
- Market Access
- Sustaining Customer Confidence
- Growing Competition
- What are we missing?

# Governance



- Rule of Law
- Corruption
- Domestic security

# Market Access

- Tariffs & quotas
- Biotechnology policies
- Sanitary & Phyto-sanitary issues

# Sustaining Customer Confidence



- Quality
- Supply
- Reliability
- Price
- Other

# Growing Competition

- Black Sea export double to 40 MMT
- China corn production doubles
- South America
- Unexploited land in Africa

# What are we missing?

- Why are US corn exports on 2 bbu plateau?  
Possible answers:
  - Not competitive
  - Inappropriate product line
  - Inefficient infrastructure

# Opportunities

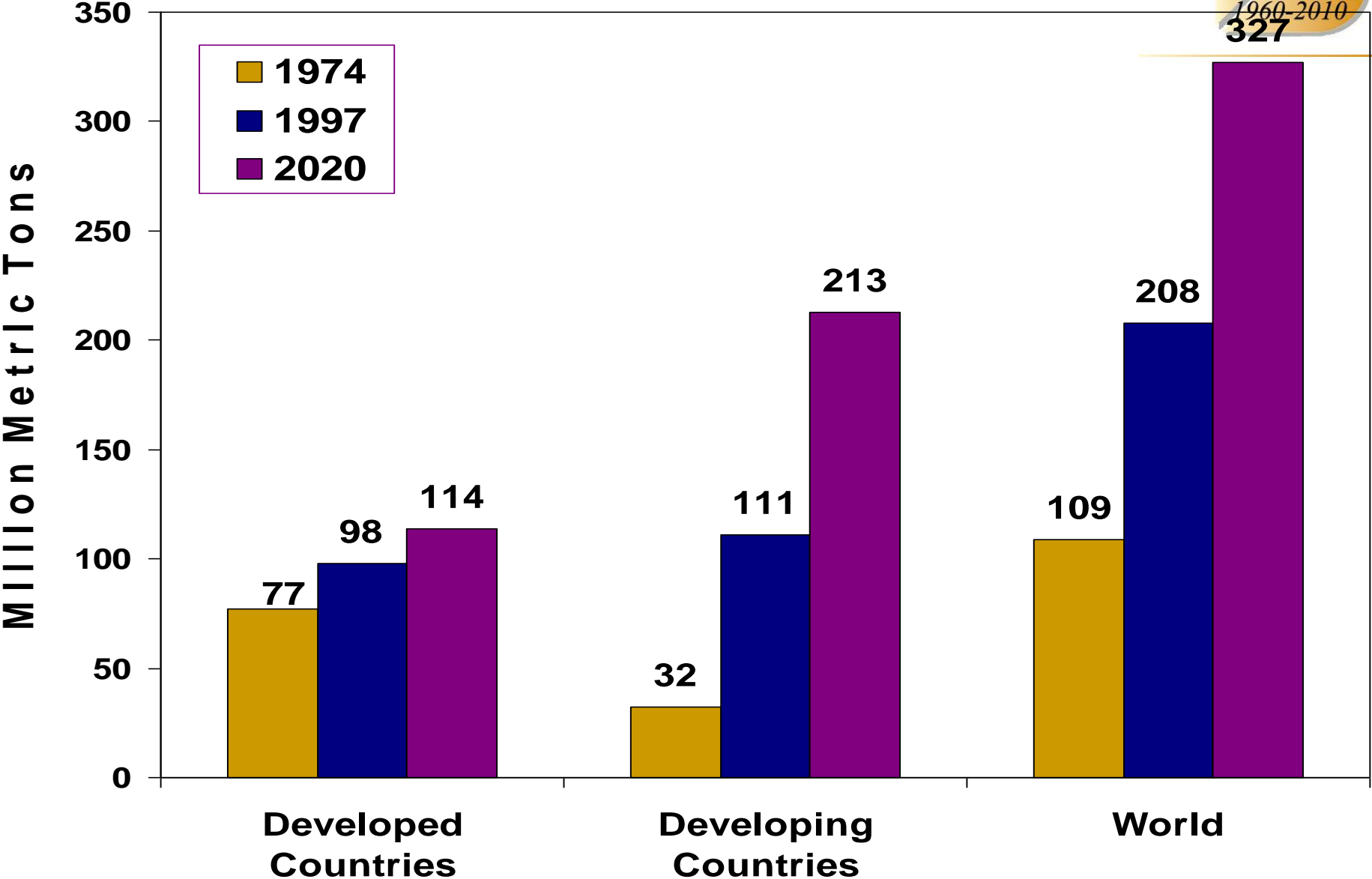


# Seeds of Change were Planted Earlier



- 1980
  - China opens
  - Southeast Asia emerges
  - U.S. Agricultural crisis
  - Uruguay Round
  - Realization of value of global trade
- 1990s
  - Collapse of Iron Curtain
  - Emergence of Internet
  - GATT/WTO – bound duties
  - Global privatization and trade liberalization

# World Demand for Meat: 1974, 1997 and 2020



Source: IFPRI impact projections, June 2001

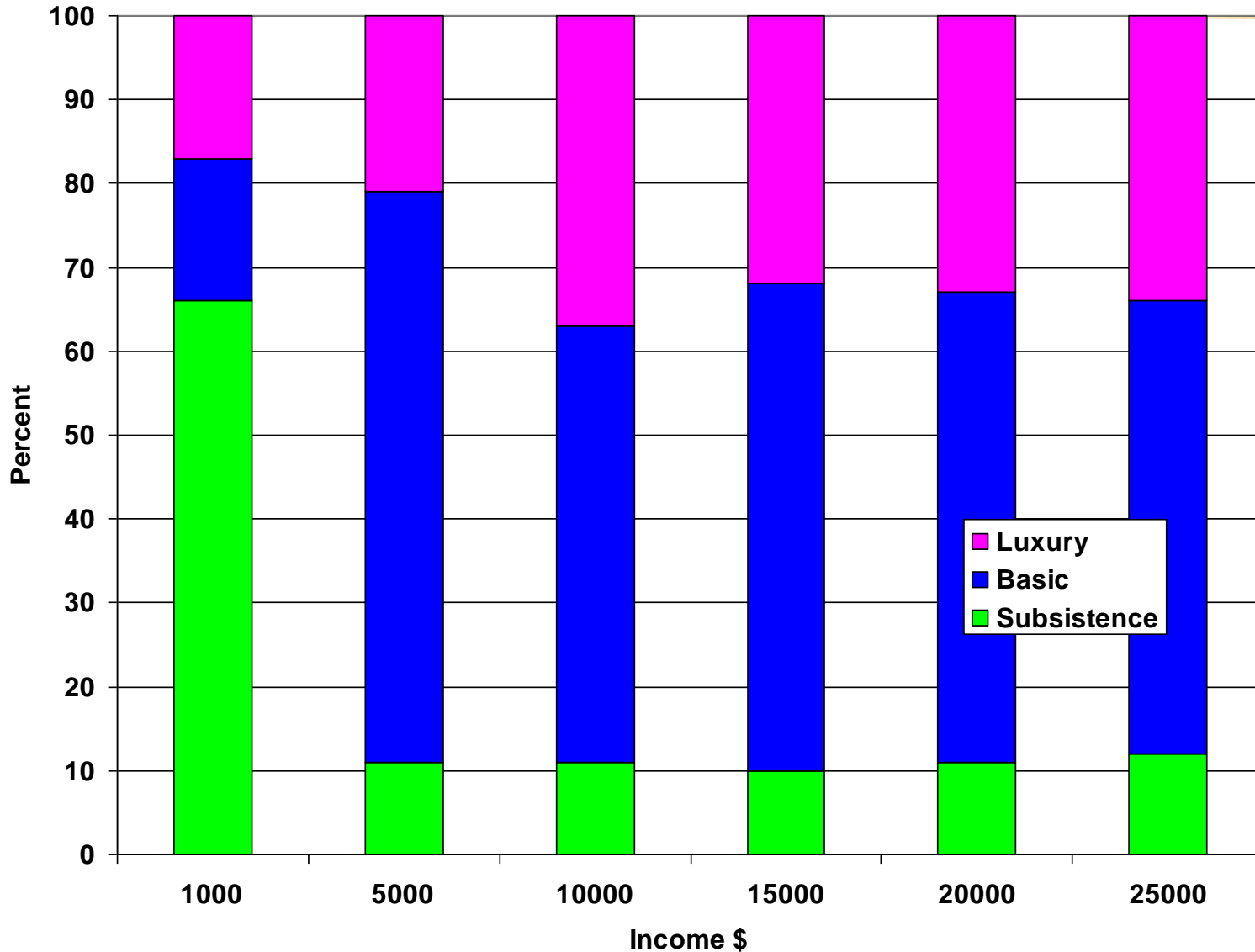
# Huge Market Growth Potential from Poverty Reduction



Country	Pop (mln)	% < \$2/day	Pop < \$2
China	1,299	46.7	607
India	1,065	79.9	851
Indonesia	239	52.4	125
Brazil	184	22.4	41
Pakistan	159	65.6	104
Russia	144	23.8	25
Bangladesh	141	82.8	117
Nigeria	126	90.8	114
Mexico	105	26.3	27
<b>TOTAL</b>	<b>3,462</b>		<b>2,011</b>

Source: World Bank. World Development Indicators database

# How income growth affects consumer demand



**Can this growth be  
sustained?**

**Why not!?**



# We have the supply to meet global demands

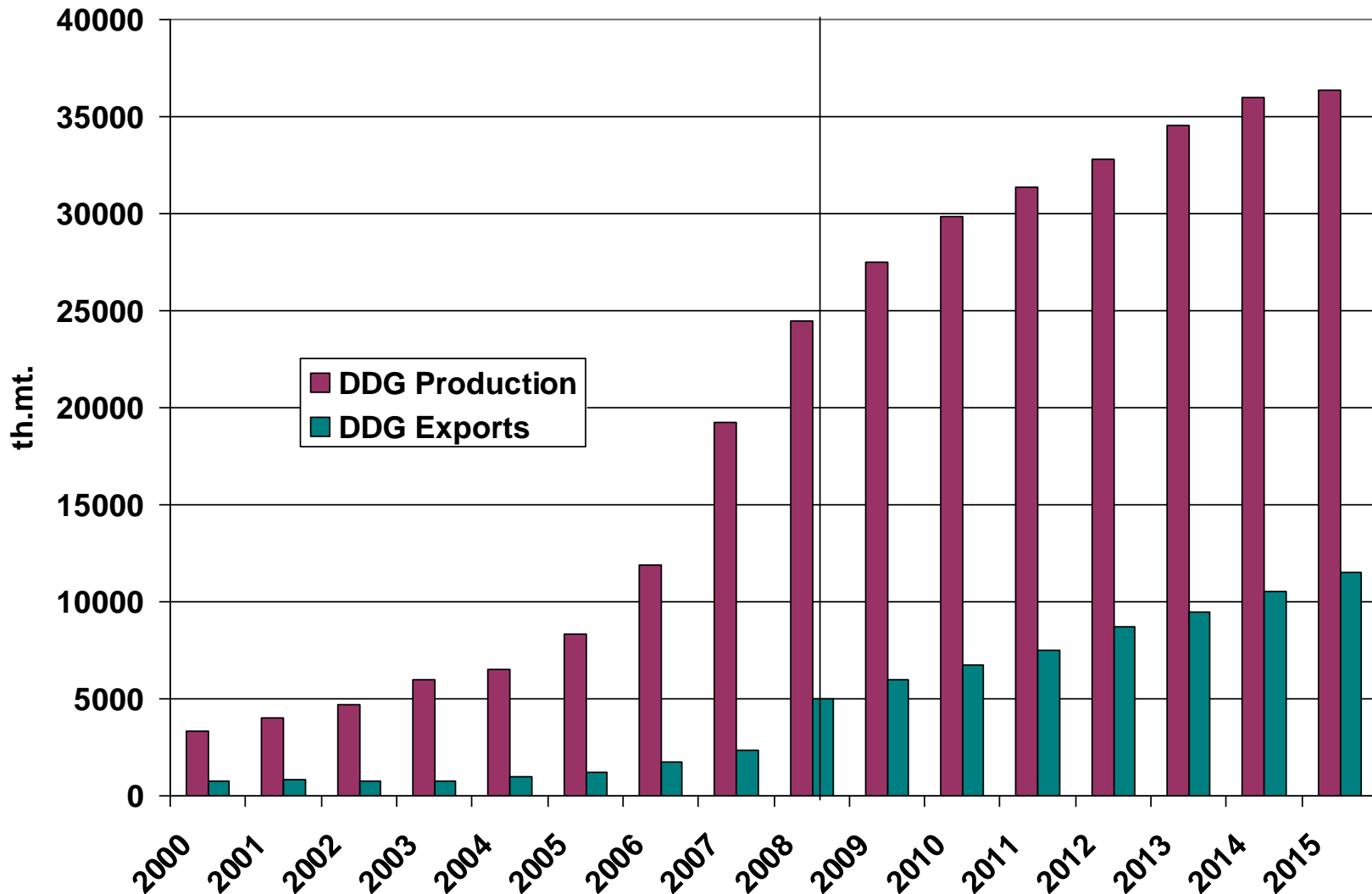


## By 2015 it is possible that:

- Corn yield up to 185 bu/acre
- Production up to 15 bbu
- Feed use down to 4.85 bbu
- Ethanol us up to 5.26 bbu per RFS2
- Total domestic use up to 11.5 bbu
- Available to export up to 3.5 bbu

**What shall we do with all that grain?**

# DDGS: Still more need for exports



# Existing Activities

- China dairy demonstration
- Hog production benchmarking: Mexico, China, Vietnam
- Morocco beef feedlot

# Established Programs

- Morocco – Establish modern beef feedlot industry
- Iraq – Build up the Iraq Poultry Producers Association
- Egypt – Expand buffalo dairy industry through genetic selection system
- DDGS – Establish global market for US DDGS
- China dairy demonstration
- Hog production benchmarking: Mexico, China, Vietnam
- Influence food safety policy-making (FAEA)

# Projects Pending

- Intensify DDGS use in selected markets
- Promote food safety regulations in Southeast Asia, Latin America
- Establish competitiveness of local livestock industries in Korea and Taiwan
- Iran, Iraq, Pakistan

# Potential New Initiatives

- Meet growing competition for market share
- New technology for education and information
- New horizons in biotechnology
- Expand industrial uses of corn, sorghum, barley

# Potential New Initiatives

- \$1.2 million
- Product differentiation opportunities
- Caribbean and Cuba
- Upgrade IT infrastructure
  - Electronic market information distribution
  - Video conference capabilities

# New Initiatives

- DDGS
- FAEA
- IT/marketing
- Technical assistance for energy development
  - Ukraine ethanol industry
- Biotechnology – trade barrier or opportunity?
  - To the heart of the issue in Africa

# USGC is your international marketing arm



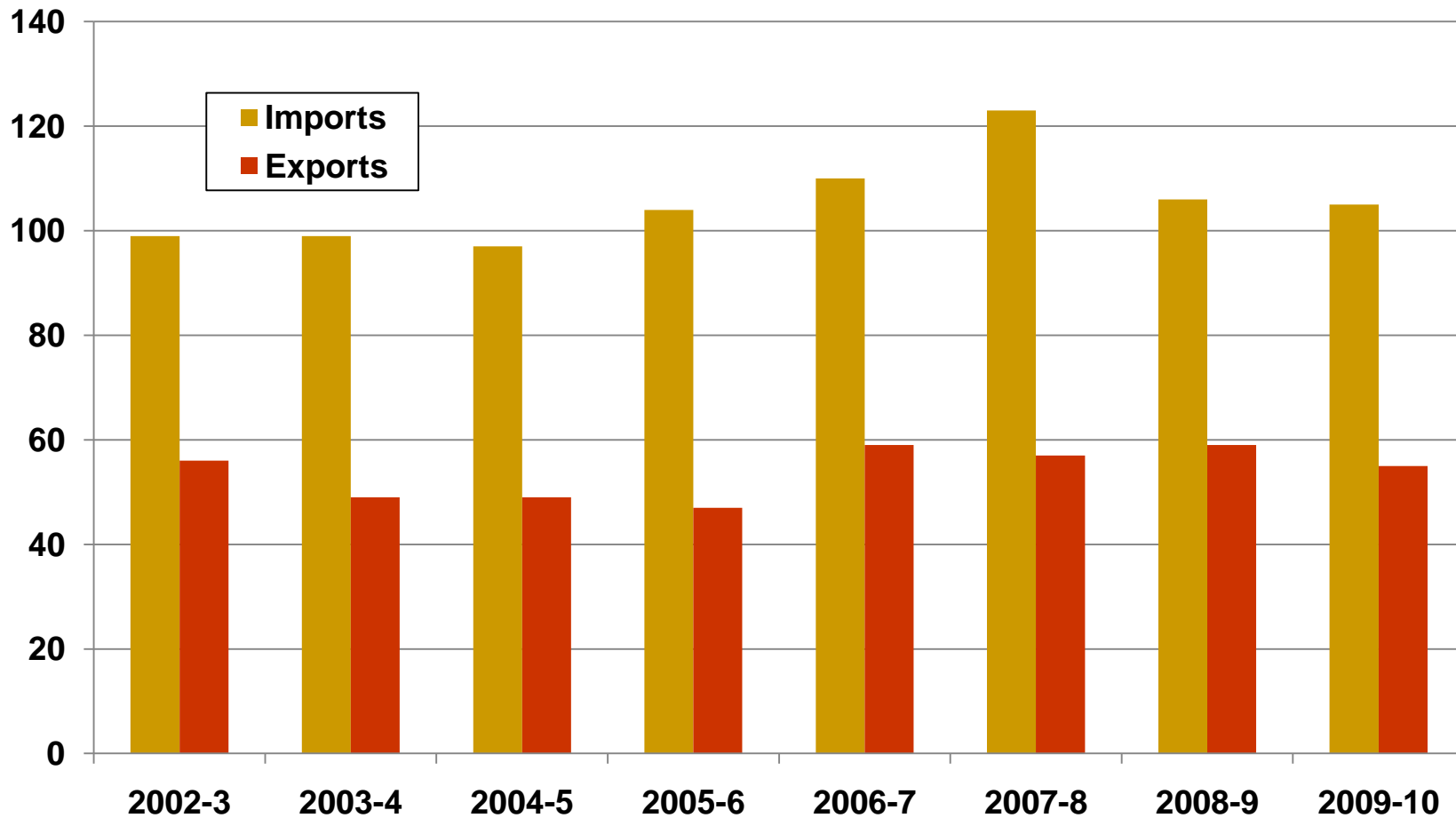
- Your investments have brought significant benefits.
  - Financing
  - Genetics
  - Integrity

# Questions and discussion

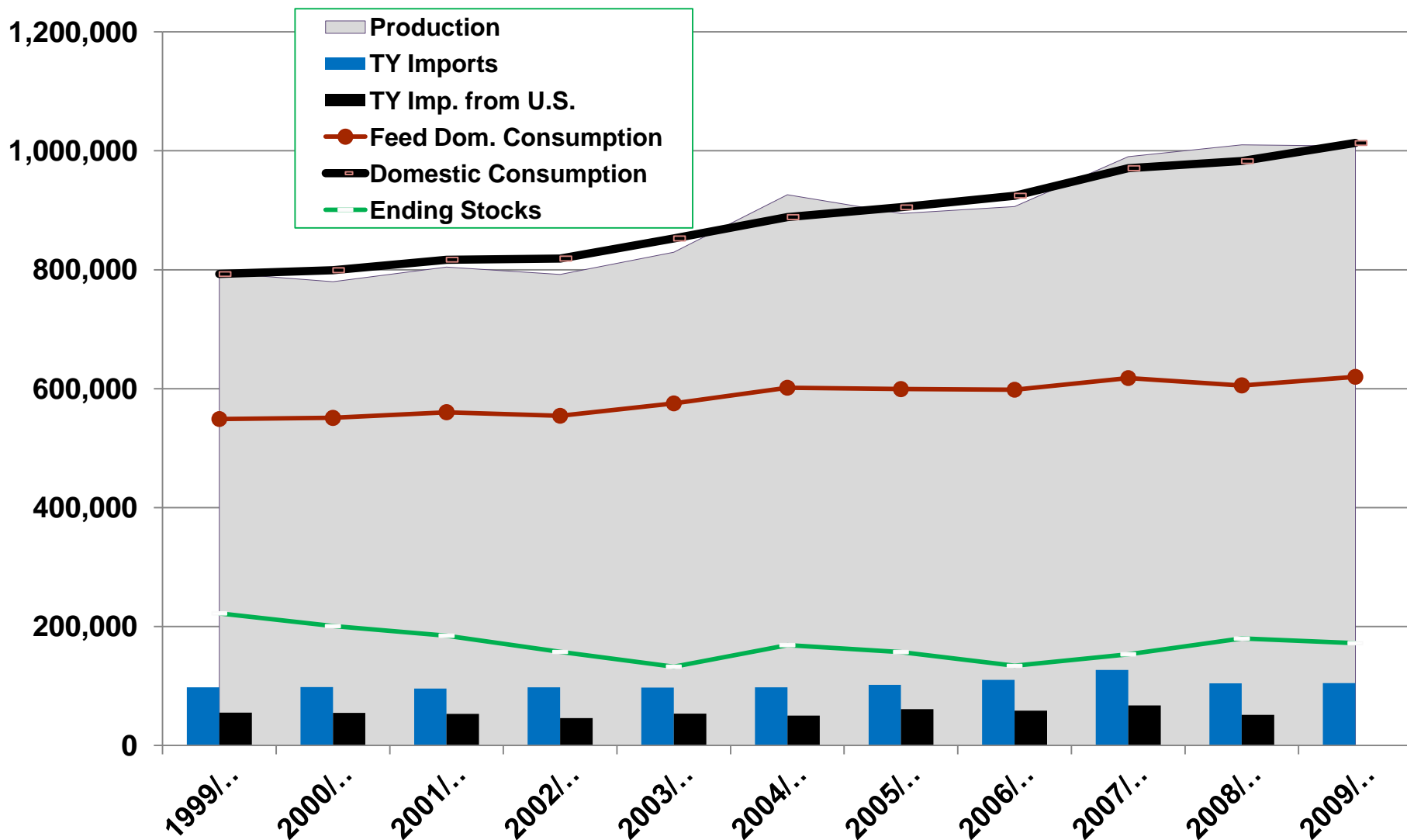
---



# Non-U.S. Coarse Grains Imports and Exports



# World Coarse Grain Supply & Demand



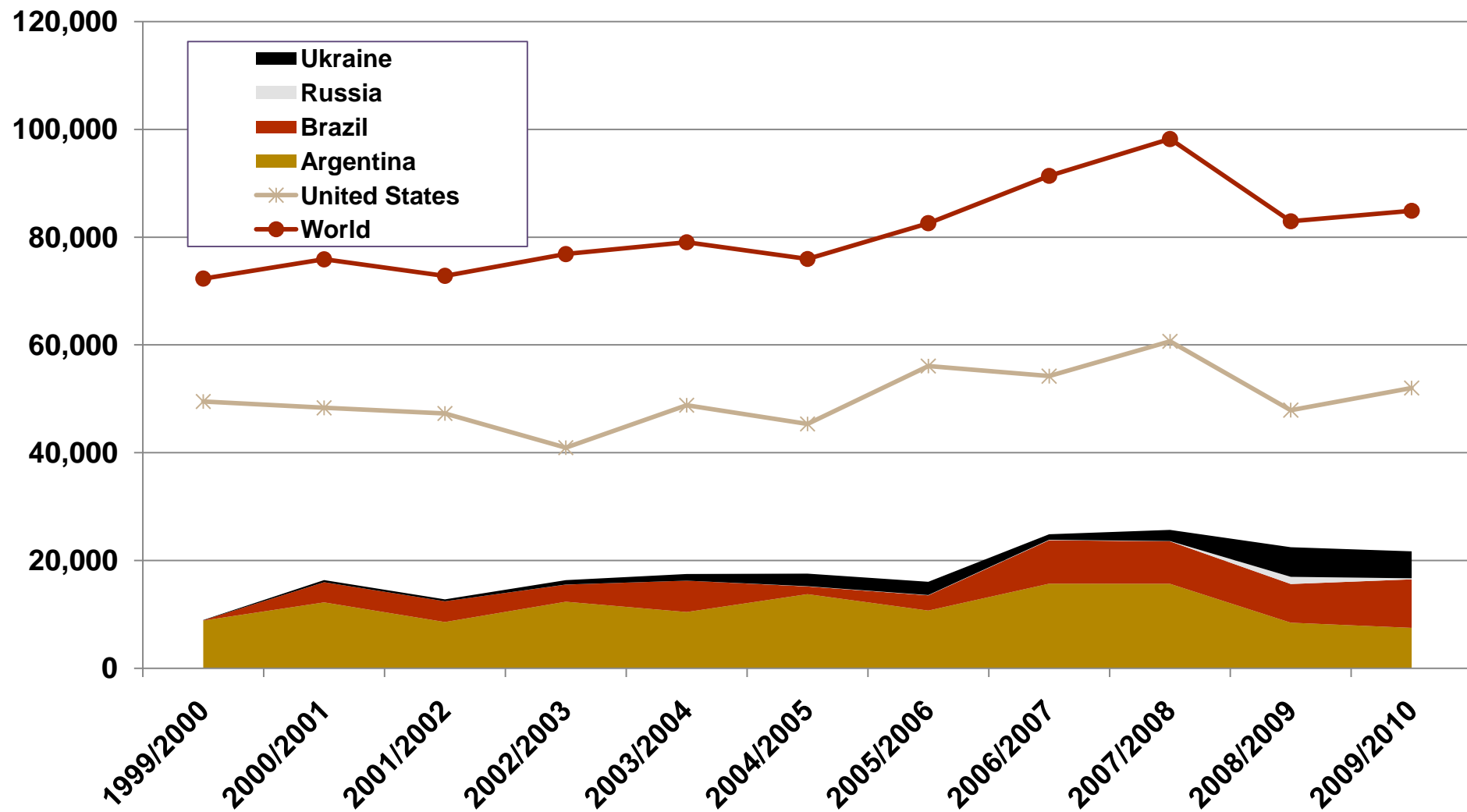
# Foreign Coarse Grains

	Beg Stocks	Product ion	Imports	FSI Use	Feed Use	Exports	Total disappe arance	Ending stocks	Use
2002-3	153	631	99	241	446	56	744	140	687
2003-4	140	641	99	257	459	49	768	113	716
2004-5	113	685	97	258	479	49	787	120	737
2005-6	120	680	104	272	475	47	795	110	747
2006-7	110	706	110	279	485	59	829	103	764
2007-8	103	727	123	283	499	57	839	114	782
2008-9	114	776	106	293	502	59	856	142	795
2009-10	142	744	105	293	512	55	863	130	805

# 2010-11 Factors to watch

- US dollar v. major currencies
- Production in China, Brazil, Argentina, Ukraine
- Economic recovery in developing countries
- Biotechnology acceptance
- Market access: WTO,

# World Corn Exports



# World Meat Consumption

