

Kansas Corn Growers Look to Mexico

Increasing concerns about trade relations with Mexico spurred Kansas Corn along with the Kansas Department of Agriculture and the Kansas Department of Commerce to plan a trade mission Mexico to learn about their agricultural industry and build upon the trade relationships formed years ago. Within the last two years, exports to Mexico grew by more than \$280 million, making it the largest export market for U.S. Corn. In a time of low corn prices, building and maintaining international markets is of high importance with Kansas farmers. Mexico purchased 523.6 million bushels of U.S. Corn in 2015/2016. Mexico is also the second largest customer for U.S. DDGS with 2015/2016 imports of 1.9 million metric tons of DDGS.

With assistance from a State Trade Expansion Program grant, nine Kansans, including three Kansas Corn Commissioners and two Kansas Corn staff members, spent the last week of March on a trade mission across Mexico. The mission focused on the international markets for corn, dried distillers' grains with solubles (DDGS) and ethanol, which is an emerging import market for the country. The trip was organized and hosted by the U.S. Grains Council, a leader in the pursuit of new markets for grain in Latin America and around the world. Kansas Corn Commissioners on the mission were Terry Vinduska, Marion; Pat Ross, Lawrence and Brian Baalman, Menlo.

"To summarize our trip to Mexico, I would say I'm cautiously optimistic," says Terry Vinduska, Kansas Corn Commissioner from Marion, Kansas. "I see a lot of potential, both in corn and DDGS and hopefully we will see exports of ethanol from the U.S. soon. Trade matters to all of us, especially now because we are struggling with very low grain prices and trade is really the only hope we have that I can see soon to increase those prices."

Trade and exports, open a new demand when there is a surplus of supply. As a farmer, Vinduska understands that domestic consumption of corn and its by-products is flat. He says we must look at grain exports and new markets for ethanol as keys to increasing demand for U.S. corn and corn products. Vinduska is a past chairman of the US Grains Council.

"This trade relationship is mutually beneficial for both countries," he says. "You have to provide a quality product at a fair price and fair is defined by both the buyer and the seller. I think we could absolutely do that with Mexico over the upcoming years."

Livestock and Feed

Livestock and the feed industry are large customers of U.S. grains. They need a consistent high-quality supply, and the grain from the United States provides that. The group visited Rancho Lucero, a diversified, family-owned operation near Torreon. They grow tomatoes, bell peppers, have a dairy milking and processing plant along with a feedlot.

"Rancho Lucero imports more than 30,000 tons of corn in one month," says Stacy Mayo, Kansas Corn director of industry relations. "We talked about the importance of having a consistent supply of quality feed and why trade agreements are important to not disrupt their business flow as they look to grow and add more cattle to their business."

Emerging Fuel Markets

While in Monterrey, the group met with independent fuel retailers who are interested in a new opportunity to sell ethanol in the Mexican fuel markets. In 2016, Mexico shifted its fuel infrastructure from government ownership to private ownership. At the same time, an opportunity was created for ethanol to be added to the fuel supply as an octane enhancer replacing MTBE. MTBE is banned in the United States due to its negative health and water effects.

"The goal of the discussion is to learn more about their struggles as the industry evolves and commercializes, and what policy hurdles they are facing," Mayo says.

Mission Leads to Action

Following the mission, the Kansas Corn Commission voted to fund a US Grains Council project to evaluate the use of E10 fuels in Mexico, focusing on vehicle performance and emissions. E6 fuel is currently allowed in much of Mexico, but ethanol use is prohibited in the major cities of Monterrey, Guadalajara and Mexico City. E10 fuel is considered to be a better blend for Mexico. Results from the US Grains Council study could help open the way for the use of E10 in Mexico. The E10 market in Mexico would represent 1.2 billion gallons of ethanol use.

Transportation Creates Advantage for U.S.

The group was also given tour a Bartlett Grain Facility in Aguascalientes, which has the unique position having access to both the FERROMEX and KC Southern railways, allowing them to load and unload trains from many different origins. Some of their trains come from the Bartlett facility in Barton County, Kansas, and they receive white corn for tortilla manufacturing from the Bartlett facility in St. Joseph, Missouri.

"It's important for us to understand the transportation infrastructure in the countries we are working with for exports to ensure the product can get to the end user," Mayo says. "We also discussed the transportation advantage from the United States to many areas of Mexico compared to our competitive markets in South America."

While touring the LALA feed manufacturing plant in Torreon, the group learned many businesses import grain from the U.S. by rail because of the transportation advantage. LALA is Latin America's largest dairy producer and supplier with more than 35 consumer brands. The company can get 100 cars carrying grain in one shuttle from the United States. However, when buying from South America, the grain arrives by ship and then is railed across the country to get to the plant.

Reflections from the Plane

While flying home, the trade mission participants had time to reflect on their industry tour down south, including Brad Rayl, board member of Kansas Ethanol LLC in Lyons. He admits most of his time in Mexico prior to this trip was spent on vacations. But he gained a new appreciation for the country and its importance to Kansas agriculture.

"It's interesting," he says, "my overall impression of Mexico is different now. They are friendly, pro-American, business-minded and hard-working. America is lucky to have them as a business partner in agriculture and in trade."

Mayo also believes in the importance of trade with Mexico. Throughout the trip, she was reminded of a saying from Kansas Corn's partners at US Grains Council, "when trade works, the world wins."

"Because of the power of our trade agreement with Mexico and the high-quality product US farmers and ethanol plants are producing, the Mexican feed and livestock industry has grown to be our number one customer, despite a strong dollar," she says. "These visits reminded us all that markets develop based on relationships and trust, so our visits were timely. It was important for us to thank them for our business, ask how we can work together more and remind them that we will continue to talk to our public and policy makers about why trade matters."

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