First Quarter • 2019

colorado C.Q.

CORN QUARTERLY

Inside this edition:

Photo Credit to Ryan Kanode for his picture "Golden". NCGA winner for 2018 photo contest.

colorado Corn

Inside This Edition

Colorado C.Q. (Corn Quarterly) is a publication of the Colorado Corn Growers Association (CCGA). Members of CCGA are dues-paying, politically active farmers who focus on policy that impacts the state's corn producers and broader ag community. They engage in education and outreach, among other endeavors.

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970.351.8201 | www.coloradocorn.com

From the CEO

Mark Sponsler

Welcome to the Colorado Corn Quarterly – our print publication with a new look! And along with it, our communications priorities have supported a complete website overhaul while building our electronic newsletter presence and social media outreach. Our website is designed to more clearly identify and differentiate between Colorado Corn Growers Association and Colorado Corn Administrative Committee, convey timely and relevant information, and put valuable resources within your reach. I think you will find the layout to be attractive, easy to use, and informative. Be sure to take a look for yourself at **www.coloradocorn.com**. We encourage you to explore, bookmark, use and share the site with others. Other sources of information include Colorado Kernels, CCGA's e-newsletter, Facebook, Twitter, and coming soon, a LinkedIn Group. These sources provide you – our stakeholders information about the work being done on your behalf through both organizations.

Recently, CCAC voted to increase their export promotion investments. Collaborating with U.S. Grains Council (USGC) and U.S. Meat Export Federation (USMEF), along with other corn-producing states, check-off funds sustain and build export demand. In this issue, we spotlight how USMEF staff works on the ground in overseas countries to build relationships with purchasers, making transactions possible. That world demand impacts our prices in Colorado the same way it does for midwestern states – through the Chicago Board of Trade. Your penny per bushel investment is leveraged with thousands of other producers across the U.S. to truly make a positive difference in corn prices that impact you right here in Colorado.

While corn prices (and most commodities) on the farm have been low for several seasons, it's important to note they would be much lower if not for the ethanol market that now grinds more than five billion bushels and supplies fifteen billion gallons of clean-burning, high-octane renewable energy for this country. Our markets are stronger and our air is cleaner because of your investments in promotion, infrastructure, outreach, and by partnering with National Corn and other state corn organizations. Corn markets have remained $1.00 to $1.50 higher since 2007 than they would be without this incredibly important market development investment that has been a part of your portfolio since the mid-nineties. The penny-per-bushel you invest has clearly paid substantial dividends in this one area; and is benefitting the bottom lines of all farmers who grow field corn.

Surviving in the high-risk business of farming is all about efficiency and maximizing the "crop per drop" ratio whether talking water or nutrients or fuel or sweat. CCAC continues to invest in the development of water and nutrient management tools that contribute to greater profitability. The most recent projects are highlighted on page 17.

When it comes to public policy and regulatory affairs CCGA is actively engaged with state and federal agencies to protect your livelihood. Be sure to look for the overview of CCGA's lobbying actions during the recent legislative session on page 4.

From the CEO

Specific progress is underway to get T-Yields updated in Colorado for corn. CCGA's commitment to an improved federal farm bill has carried forward, and efforts to incorporate a permanent disaster program into the anticipated 2023 bill are underway. Improved risk management options for corn producers remains a high priority for the Public Policy Committee, as well as the CCGA organization.

Our engagement with state and federal agencies helps keep agriculture at the table along with our livestock industry partners for critical conversations concerning nitrogen and phosphorus management before the Water Quality Control Commission. These efforts center around Colorado's Regulation 85 and the Commission's authority to regulate nutrient sources to protect water quality, and are focused on maintaining your ability – and freedom – to manage the inputs and practices for your operation in the manner that optimizes your unique resources of land, water, labor, and capital. For more, see the article on page 6.

The strong collaborative relationships CCGA and CCAC builds with fellow agricultural industry partners protect your independence to operate in other areas of nutrient management, as well. For example, monitoring nitrogen volatilization from various sources and subsequent deposition in sensitive environments like Rocky Mountain National Park remains a priority for state and federal agencies. Without our collective engagement with these agencies – EPA, Colorado Dept of Public Health and Environment, National Parks Service, Rocky Mountain National Park – farmers and ranchers could be faced with costly, inefficient regulations.

As a member, a sponsor, a grain corn producer, or first-handler, the investment you make in CCGA and/or CCAC is an incredible bargain! Thank you for helping us keep the value proposition high.

Mark Sponsler
Executive Director

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Sponsor Spotlight

Environmental Tillage Systems is a premier manufacturer of zone tillage and nutrient placement equipment based in Faribault, Minnesota. Its flagship product is the SoilWarrior®, a complete strip-till system that enhances soil productivity and farm profitability. ETS products set the standard for in-field performance, machine durability, and ease of operation. Founded on a farm in southeast Minnesota, the company serves clients throughout North America and internationally. For more information, visit **www.soilwarrior.com**.

Cut production costs, maintain yields and improve soil health with the SoilWarrior® zone tillage and nutrient management system from Environmental Tillage Systems (ETS). The SoilWarrior is the only complete precision strip-tillage and nutrient placement system on the market designed to place nutrients in the zone, protect soil from erosion, and boost yield potential. An industrial grade machine manufactured for reliable performance, SoilWarrior is your solution for total zone management. Learn more at **www.soilwarrior.com**.

Ryan Wernsman is a Regional Sales/Key Account Manager for Environmental Tillage Systems in Colorado and Western Nebraska. Ryan grew up on a corn and wheat farm in Haxtun, CO and attended Colorado State University where he received a Bachelor's Degree in Business Organizational Management. With his agriculture background and over 10 years of sales experience in the banking and agriculture manufacturing industries, Ryan thrives on helping farmers in his area enhance soil productivity and farm profitability. To discuss how the SoilWarrior could help you reach your soil health and farm profitability goals, contact Ryan at (970) 580-5216 or rwernsman@soilwarrior.com.

Member Perk Spotlight

NEW!!! MASA Medical Transport Solutions

Be prepared for the unexpected with a MASA membership. No matter where you live, you could have access to vital emergency medical transportation for a minimal monthly fee.

MASA covers both **GROUND & AIR** medical transportation and has a very large network. That membership could one day save your life, and, every day, it will give you peace of mind like nothing else.

Please visit **www.coloradocorn.com/ccga/member-perks** for more information.

CCGA Takes Action During 2019 Legislative Session

Fast-paced, chaotic, contentious, and challenging are the words used to describe the political climate during the 2019 Colorado Legislative session. Colorado Corn Growers Association's lobbyist, Becky Brooks, owner of Stealy II, made comments about the final week of the session which capture part of the chaos and challenges at the capitol. "While fewer bills were introduced this session than in recent years, the contentious nature of those bills made for a tense atmosphere at the capital. Going into the final week, we had over 200 bills on the docket out of the 598 introduced this session. By Constitutional amendment, the session had to end by midnight May 3rd. For the first time since 1990, both chambers worked the Saturday before (April 27, 2019) because they were so backed up. Initially, I thought a lot of bills would die on the calendar, then in the last three days of the session tensions eased, compromises were made, and a lot of work got done."

In recent years, the nature and number of state and federal issues has grown. Recognizing this, CCGA Public Policy Committee appointed Dave Cure and Randy Wenger co-chairs. The intention of this decision was to spread out the chairperson's responsibilities. This has allowed Dave to focus on risk management and federal matters (see pages 5 and 8 for his comments and details). Randy now concentrates on state issues. When asked about this session and CCGA's involvement Randy said, "I am so glad CCGA employs Becky Brooks to work on our behalf at the capital. I'm especially glad after taking a day to shadow her at the Capitol. The intense nature of the bills this session and the long hours are almost as grueling as planting or harvest for a farmer."

CCGA gave attention to several potential bills; those listed below are the bills the committee took specific actions upon. The outcome of those actions at the time of writing are noted as of June 2019.

In Favor:

HB19-1029 - Republican River Conservation District, signed April 16, 2019.

SB19-186 - Expand Agricultural Chemical Management Program to Protect Surface Water, signed June 3, 2019

HB19-1329 - Wholesale Agriculture Fertilizer Tax Exempt, signed May 23, 2019.

In Opposition:

HB19-1032 - Comprehensive Human Sexuality Education, signed May 31, 2019.

SB19-181 - Protect Public Welfare Oil and Gas Operations, signed April 16, 2019.

Referred to the Interim Water Committee:

HB19-1271 - Augmentation of Instream Flows and **HB19-1218** Loaned Water for Instream Flows to Improve Environment, referred for further review this summer.

Progress Slow, But Promising

CCGA set a number of goals for 2019, with farm and/or disaster assistance as their top priority.

"Between Corn Congress in February, and Southwest Council of Agribusiness (SWCA) in March, and our follow-up action this month, CCGA and Public Policy Committee members have made significant strides towards getting t-yields updated for Colorado farmers," commented committee co-chair, Dave Cure.

At Corn Congress (held during Commodity Classic), the eight member team from CCGA and CCAC brought several important issues forward including T-Yield Disparities, Adjusted Trend Yields, and questions about RMA's Limited Irrigation program. "When our peers in Kansas, North Dakota, several other states, and especially NCGA's Risk Management Action Team recognized our T-yields were really off, we knew we were making progress," said Cure. As board members of SWCA, Cure along with Jeff Self carried these same messages to SWCA. They had a similar response from their peers and an even more promising conversation with the chief economist for the House of Representatives Committee on Agriculture.

"We are cautiously optimistic T-yields will get updated in Colorado for 2020. How much the yields will increase is still in question, and we're continuing to work with and through the contacts we've made to be sure it's the best outcome for farmers." Cure went on to say, "We're still working on some form of disaster assistance or improved MFP program. And, we will continue to monitor the new Limited Irrigation policy."

Reg 85 Update: Agriculture's Nutrient Exemptions At Risk

Producers Asked for Input Ahead of 2020 Hearings

By Bill Hammerich, Colorado Livestock Association

Seven years ago, the Water Quality Control Commission (WQCC) adopted Regulation 85. Prior to the rulemaking hearing, several ag groups in Colorado came together to form the Colorado Ag Producers Alliance (CAPA) for the purpose of being part of the stakeholder process and to be "at the table" as the regulation was being drafted. The regulation was adopted in order to reduce nitrogen and phosphorus loading to the state surface waters.

Regulation 85 became effective in September of 2012 and since then CLA has been very active not just with CAPA members but with other organizations who have a vested interest in how Regulation 85 is ultimately enforced. One such group is the Colorado Monitoring Framework (CMF) which is a nonprofit organization formed with the objective of creating a collaborative process to comply with water quality regulations adopted by the WQCC. Initially, CMF was primarily made up of municipal dischargers and water treatment entities. CAPA members recognized an opportunity to collaborate with the CMF because the one thing we have in common is that we all are part of the nutrient criteria issue.

Representing agriculture's voice within the CMF framework is the Agricultural Task Force. The Task Force has been working to educate and inform the agricultural community about the potential for upcoming nutrient regulations. Although agricultural nonpoint sources of nutrients are currently exempt from regulation, this exemption is up for review.

Two upcoming WQCC reviews of Regulation 85 where nonpoint sources will be reviewed and decisions will be made:

Fall 2020 – Examination of the progress made by nonpoint sources.

Fall 2022 – Decision on the need to regulate nonpoint sources.

The following is from 85.5(5)(c)
(c) Additional Nonpoint Source Actions
(i) During the triennial review of this control regulation, the division shall report to the commission on the progress implementing the activities addressed under this section.
(ii) If voluntary nonpoint source BMPs are not effective in managing nutrients by May 31, 2022, the commission may consider the adoption of prohibitions or precautionary measures to further limit nutrient concentrations.
(iii) Pursuant to section 25-8-205(5), C.R.S., after May 31, 2022 the commission may consider adopting, in consultation with the commissioner of agriculture, control regulations specific to agricultural and silvicultural practices if the commission determines that sufficient progress has not been demonstrated in agricultural nonpoint source nutrient management.

As we prepare for the 2020 informational hearing, input from the agricultural community is necessary and will be highly valuable to the WQCC's decision making process. Information such as BMP's applied, percent of operations in a region that employ nutrient management plans, water quality data regarding BMP impacts and monitoring and sampling data.

Note: CCGA/CCAC was one of the ag groups that helped to form CAPA and continues to be involved with CMF Agricultural Task Force. Those interested in participating or seeking more information on this issue, contact Mark Sponsler at CCGA at 970-351-8201.

Planting Delays = Skepticism & Volatile Market Conditions

Planting delays from every cause imaginable across the country have made for a rough start this year. The farm belt has record-breaking precipitation leading to historic delays in corn and soybean plantings. Likewise, emergence is delayed and the percentage of crop in good or excellent condition is much lower than average.

All the planting delays have led to a lot of questions about prevented plant. From radio shows and farm publications to social media, prevented plant has become a hot topic, and rightfully so! June WASDE lowered the U.S. planted acreages estimate was lowered by 3 million to 89.8 million. Average yield estimate was also reduced, lowered by -10 bushels per acre from 176 down to 166 per acre, while total U.S. production was lowered from 15.030 billion bushels down to 13.680 billion. Harvested acres did not drop much, 85.4 million down to 82.4 million. Some think harvested acres could fall to 70 and 75 million. If that was true, total U.S. crop production may drop 11.5 to 12.5 billion bushels. How would this effect price? And what about demand destruction? Anyone care to take a guess? Lots of folks in the market are speculating.

To quote Kevin Van Trump, Coach and author The Van Trump Report, "For many the absolute best business decision is "prevent plant". Unfortunately, many are being guided by their emotions. Business is about facts and numbers; lifestyle is about emotions and family. When the two start crossing paths decisions can become much more complicated. I've been there myself and made the mistakes often. But I know the business numbers for many are pointing to preventive plant. Chasing yield in this environment could be extremely costly with no guarantee of results. In other words, throwing all the extra money at this late-planted date could easily snowball into a losing venture. Taking "preventive plant" and re-owning in some capacity on the board makes a ton of sense."

Prevent plant and crop insurance decisions should be made carefully and thoughtfully. Provided below are a few resources to use in educating yourself.

https://www.vantrumpreport.com/why-i-remain-bullish-corn/

https://farmdocdaily.illinois.edu/2019/05/late-planting-decisions-in-2019.html

https://www.rma.usda.gov/en/News-Room/Frequently-Asked-Questions/Prevented-Planting-Coverage-Factor-Changes-for-2019

https://www.agprofessional.com/article/planting-delayed-here-are-your-prevent-plant-options

Take Action: Ratify USMCA

Provided by NCGA

Corn, soybean, wheat and sorghum growers recently joined together to announce their support for the U.S.-Canada-Mexico Agreement (USMCA) to replace the North American Free Trade Agreement (NAFTA).

Agriculture's support for USMCA makes sense. Mexico and Canada account for 25 percent of all corn exports, and in 2016 alone, this market generated $4.1 billion in economic activity and supported 25,000 jobs and 300,000 farms.

For corn farmers, USMCA will solidify a $3.2 billion export market and provide some certainty as farmers begin the hard work of planting and harvesting their crop. Ratifying USMCA will also instill confidence in other nations that the U.S. is a reliable partner and supplier, ensuring U.S. agriculture remains competitive for generations to come.

Withdrawing from the existing NAFTA agreement, closing the U.S.-Mexico border, or implementing other policies that jeopardize the future of this important economic partnership, would be catastrophic for farmers already struggling amid declining profits and devastating natural disasters. Even the threat of such actions creates uncertainty for farmers. The loss of the North American market would amount to a $9.4 billion annual drop in agricultural exports and a $13 billion hit to the farm sector GDP. Simply put, we cannot afford to lose this market.

To send a message to your representatives in Washington D.C. go to - https://ncga.com/public-policy/stand-up-for-corn/take-action

A Recap on Recent Ethanol Developments

YEAR-ROUND E15 FINAL RULE PUBLISHED

On the heels of Governor Polis signing a suite of climate and energy bills, the U.S. Environmental Protection Agency (EPA) published the final rule allowing retailers to sell gasoline containing 15% ethanol (E15) year-round starting May 31, 2019. This rule is a win for consumers driving 2001 and newer vehicles, a win for the environment, and a win for the grain corn and ethanol industries in Colorado.

EPA's action fulfills President Trump's directive to eliminate the outdated restriction that limited sales of E15 during the summer months. CCGA is optimistic this is the first of many steps the EPA will take to restore integrity to the Renewable Fuel Standard (RFS). Concern runs deep over the EPA continuing to hand out hundreds of millions of gallons worth of Small Refinery Exemptions (SRE). The potential benefits this rule provides, could quickly be undermined by demand destruction if EPA continues to grant SREs.

Presidents of CCGA, CCAC and Vice President of Front Range Ethanol issued statements regarding the final rule.

"Year-round sales of E15 is overdue," stated CCGA President Dave Eckhardt, a farmer from Peckham, Colorado. "For years CCGA has advocated for uninterrupted access to this lower-carbon, higher octane, homegrown fuel. We expect EPA will continue to make regulatory changes to modify the renewable identification number (RIN) system bringing transparency to the market and deterring price manipulation."

As the most widely tested fuel on the market, retailers can use the existing infrastructure at the pump, giving consumers a higher-octane fuel (better for engines) that burns cleaner (fewer tailpipe emissions) and is usually sold three to ten cents under regular unleaded gasoline.

"E15 is produced from grain corn grown right here in Colorado, yet this renewable energy source is often ignored or left out of the clean energy conversations," said CCAC President Troy Schneider, a farmer from Cope, Colorado. "Over four billion miles have been driven on E15 and more than 90% of vehicles on the road today are approved for this fuel. Eliminating these outdated restrictions gives retailers and consumers the choice they deserve all year long."

Dan Sanders, Vice President of Front Range Energy, an ethanol production facility in Windsor, Colorado had similar comments, "Today is a great day for Colorado consumers, our corn farmers, and ethanol producers. Consumers now have a less expensive, cleaner, renewable fuel choice all year long. E15 will unleash new demand for our corn farmers and billions of gallons of new demand for ethanol

producers. I look forward to working with CCGA and CCAC, supporting new retail stations and educating consumers on the many benefits of E15."

NEW LEGISLATION INTRODUCED

New legislation was recently introduced by House Agriculture Chairman Collin Peterson (D-Minn) and Representative Dusty Johnson (R-SD). The Renewable Fuel Standard Integrity Act of 2019 would set a deadline for refineries seeking exemptions from the Renewable Fuel Standard (RFS) to submit petitions in a timely manner so waivers granted would be prospectively reallocated to non-exempt obligated parties. The legislation also brings much-needed transparency to the waiver process by ensuring key information around small refinery exemptions is publicly disclosed. In the past year, EPA has granted 54 exemptions to refineries, waiving 2.61 billion ethanol-equivalent gallons of renewable fuel blending under RFS. Another 36 waiver petitions are pending with decisions from EPA expected in the coming weeks.

EU CANCELS US ETHANOL DUTY

May 14, 2019 -- The European Union commission announced they would end the ethanol anti-dumping duty against imports from the United States. The 9.5% duty was put in place in 2013 based on a complaint filed by EU's largest ethanol producer group, ePure.

According to the U.S. Census Bureau, USDA, and Department of Commerce, ethanol exports to the EU were about 175 million gallons in 2012. After imposing the anti-dumping duty on U.S. imports, exports fell to almost 25 million gallons in 2013 and were near zero by 2016.

Exports to Brazil made up for the loss of the EU market, growing from about 50 million gallons in 2013 to about 430 million in 2016. Market restoration in the EU to 2012 levels will create demand for about

(continued on page 11)

colorado Corn | ADMINISTRATIVE COMMITTEE [EST. 1987]

LIVESTOCK FEED, BIOFUEL, BIODEGRADABLE PLASTIC . . . AND MORE

Colorado Corn Administrative Committee manages the state's corn check-off program of one penny per bushel of grain corn produced. Dollars generated from the check-off are invested in the advancement of feed, fuel, and fiber products made with corn. From developing and securing markets, to crop research and education, the committee is focused on the future of the industry, its members, consumers, and the environment.

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A Recap on Recent Ethanol Developments *(continued from page 9)*

62.5 million bushels of corn, or less than one percent of corn produced in the U.S. Still, the decision is encouraging to the corn and ethanol industries. Removing the unjust duties will allow for more open trade relations.

In a fourteen-page decision the commission said it did not find evidence U.S. ethanol exports increased because of poor domestic demand or because of growing demand in other countries. The investigation showed consumption of ethanol fuel in three major U.S. export markets increased 1.3 million tons, while production in those countries grew by only 200,000 tons. In addition, the EU's investigation showed the U.S. production, exports, and domestic were all growing. In the period considered, production in the U.S. increased 4.8 million tons, exports by 1.5 million tons, and domestic consumption grew by 3.1 million tons. Based upon those figures, the claim was rejected.

In a statement ePure pushed back on the commission's decision saying it puts Europe's biofuel industry at risk. "The decision comes at a time when other key U.S. export markets including Brazil, China, Peru, and Colombia have introduced or are considering measures to protect themselves from unfair U.S. ethanol exports. In a statement, ePure pushed back on the commission's decision saying it puts Europe's biofuel industry at risk. "The decision comes at a time when other key U.S. export markets, including Brazil, China, Peru, and Colombia have introduced or are considering measures to protect themselves from unfair U.S. ethanol exports. This increases the risk of U.S. exporters diverting their export volume away from these countries to the EU. Europe's renewable ethanol producers are already under pressure from misguided biofuel and agricultural policy decisions; now is not the time to subject them to unfair trade practices."

Renewable Fuels Association (RFA)

RFA

"Recent document disclosures reveal the EPA misled Members of Congress, industry, and the public regarding the agency's motivations and justifications for its SRE policy. This deception by EPA political appointees may indicate improper motives and conflicts of interest and it warrants a thorough review by the EPA OIG."

--Senator Tammy Duckworth in her letter to EPA OIG.

CALLING ON ALL C.Q. READERS!

Please update your information so we can:

1. **Let you know when and how to take action, if you choose, on legislative and regulatory issues.**
2. **Keep sharing important news, events, and other activities with you.**
3. **And, so someday we can give you the option to have info delivered to your inbox, instead of your mailbox, or both!**

Here are two ways to update your information:

- **Email Kim Reddin at kreddin@coloradocorn.com with your contact info**
- **Fill out this form and mail it to CCGA/C.Q., 127 22nd Street, Greeley, CO 80631**

Name: _____

Email Address: _____

Address: _____

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Energy Office

Your Journey Starts Here

You've contacted Colorado Energy Office and are interested in participating in the Agriculture Energy Efficiency program.

Information Gathering

A CEO Energy Coach will work with you to collect all historic data and schedule an on-site audit.

Guided Audit

Facility tour with your Energy Coach to identify measures and collect operational information.

Audit Report

Review identified conservation measures, discuss funding options and review financial toolkit.

Contractor Selection

Identify appropriate contractors to install measures, process paperwork and finalize funding.

Installation

Finalize project scope with your Energy Coach, and facilitate contractor installation.

Project Verification/ Completion

Confirm project completion, then deliver final documentation and invoices to your Energy Coach.

The Journey Continues

Future Improvements

Keep the Agriculture Energy Efficiency program in mind when planning future upgrades. Please contact us at **CEO_AG_EE@nexant.com**

MEAT EXPORT FEDERATION CONFERENC

An optimistic tone resonated among members during the U.S. Meat Export Federation (USMEF) Spring Conference and Board of Directors Meeting May 22-24, 2019, in Kansas City. Positive trade developments surrounding the conference led to part of the tone. In an address to the USMEF membership, President and CEO Dan Halstrom reported on Mexico's removal of retaliatory duties on U.S. pork, Canada's elimination of a 10% duty on prepared beef products, and Japan lifting longstanding restrictions on U.S. beef exports.

Colorado corn growers Jeremy Fix and Randy Wenger attended the conference as representatives of the grain corn industry and members of the Market Development Action Team (MDAT) for Colorado Corn Administrative Committee (CCAC). Through their participation, they will be better equipped to guide MDAT projects and the partnerships (i.e. with feeders/feed yards) to improve and expand export opportunities for the state's top agricultural products – meat, livestock, and feeds and other feed grains.

Jeremy and Randy shared the following highlights from their experience.

JEREMY FIX

"USMEF is a very effective and well-run organization with a large Colorado presence (headquartered in Denver). I can see how CCAC's involvement will continue to greatly benefit corn farmers in our state. I am impressed with their promotions to grow meat demand around the world, always looking to add value to each cut of meat. USMEF is also watching the competition to make sure American farmers can put their meat products on the world's table. Recent trade negotiations have not been kind to the country's farmers, and we have lost market share, but USMEF is confident we will gain this share back by consistently providing a quality product and I agree."

RANDY WENGER

Randy Wenger (left) with Peter Ziehan (right)

"I am impressed with USMEF as an organization and really enjoyed the conference. In fact, I don't remember the last time I was this excited about an event. I've shared information from this conference with nearly everyone I've run into since I've been home. As corn farmers, we should be encouraged by the way USMEF promotes corn and soybean fed meats, instead of grain fed. They tie corn and soybean fed meats to juicy, well-marbled, better tasting protein. This is especially important in Colorado since the largest percent of our harvested crop goes into feed livestock. Our competitors in the export market are Canada (barley fed meats) and Australia (wheat fed meats). The U.S. has a quality and flavor advantage USMEF is promoting and winning at."

KEY TAKEAWAYS FROM JEREMY AND RANDY

- USMEF adds $1.55 to the value of every check-off dollar they receive.
- With Japan recently lifting restrictions on U.S. meat, export value is projected to increase.
- USMEF has seen a decline in meat exports of 15% last year and 24% this year before the tariff was lifted. Total decline before the tariffs were lifted was about 40%.
- Taiwan has increased imports of pork by 35% and beef by 33% from 2017. Exports to Taiwan were 3% above last year's record pace, though value slipped 7% to $117.8 million. U.S. beef dominates Taiwan's chilled beef market with nearly 75% market share – the highest of any Asian destination.
- In Korea, sales of U.S. meat are over 50% of market share.
- South Korea continues to be the growth leader for U.S. beef exports, with first quarter volume climbing 8% year-over-year, while value ($414.2 million) was 13% above last year's record-shattering pace.
- Fueled by strong variety meat demand in Mexico and strong muscle cut growth in the Caribbean, the Middle East and Central America, U.S. lamb increased 68% in volume, while value was up 29% to $6.9 million.
- Ocean carrier investments are going higher due to environmental regulations. Now required to switch from oil base paint to water base paint on ships. Lower sulfur fuels could raise fuel costs as much as 50%.
- A shortage on refrigerated containers could have broad impacts on transportation costs.
- Global supplies of beef are tight. China's growth in beef consumption won't offset their shortage of pork due to African Swine Fever. Beef imports to China are up 47% this quarter. U.S. has the largest export growth potential for beef followed by Brazil and Argentina.
- Many countries are not keeping heifers to grow their herd, it is important we maintain our cow herd.

CE A SPRINGBOARD FOR CORN FARMERS

SPEAKER HIGHLIGHTS

Peter Zeihan, speaker, geopolitical analyst and author of The Accidental Superpower, The Absent Superpower:

- Trade was going to be on the to-do list of the 2016 elected president, no matter who won.
- Trade deals are not about trade, rather about security. Trump has basically said the U.S. holds all the cards when it comes to economic power and military strength, we will keep protecting you with our navy but not for free and we aren't going to be taken advantage of anymore.
- Demographics and de-population of developed countries have changed drastically since WWII when the American trade policy mainly originated.
- Age demographics are very important. Mexico and Southeast Asia are the primary locations where de-population is not occurring, and we need them as trade partners.

Ted McKinney, Secretary of Trade and Agricultural Affairs:

- With the 232 and 301 tariffs being lifted in conjunction to Mexico passing their labor law, and the milk classification being revised, the hope is USMCA can be ratified soon.
- Mr. McKinney advised folks to reach out to House Democrats and urge them to support the ratification of USMCA
- European Union (EU): We have much in common and administration won't allow a trade agreement to not include ag products.
- In a *"cooling-off period"* with China but still optimistic. US Ambassador to China Brandstad and President Xi have a strong relationship that goes back many years, should aid negotiations.

Don Close, Animal Protein Analyst with Rabo Agri Finance:

- Record production of beef, poultry and swine, along with labor, weather, trade policy, tariffs, African Swine Fever, and feed grain supplies are all *"unknown unknowns."*
- U.S. has rarely (if ever) started a season under better pasture and range conditions.
- Corn planting progress is way behind. If we end up with 80 million acres corn and 1.5 billion bushel ending stocks, corn will be in $4-5.50/bu range for 2020. If we end up with 70 million acres and less than 1 billion bushels, expect corn in $6-8/bu range.
- Soybeans: 100 million acres could signal a per bushel price below corn, which will trigger PLC and LDP ($9/bu to farmers with those programs). Could be the perfect setup to get rid of large supplies of corn and beans.
- Transition to antibiotic free poultry has been more difficult than expected but poultry will greatly benefit from estimated impacts from African Swine Fever and feed grain supply shortage implications.

Aside from trade developments and outstanding speakers, African Swine Fever was the hot topic during the conference. Notably the worst animal health crisis in the modern era, a lot of fear is building into the marketplace outside the U.S. Hog herds are infected with the fever in China, Russia and the EU. The Philippines has tight restrictions on pork and has banned imports from nearly all countries except the U.S. First year outbreak projections in the U.S. are estimated to have the following impact: Eight-billion-dollar loss for pork, $3 billion loss for beef, $4 billion loss to corn due to consumer confidence being lost in meat even though it doesn't affect beef, poultry or seafood.

HOW IMPORTANT ARE MEAT EXPO

Information provided by United States Meat Export Federation and National Corn Growers Assocition

An ROI of 28:1

The U.S. Meat Export Federation is supported through commodity checkoff programs at the state and national levels, as well as through private support from agribusiness and other stakeholders. These dollars are leveraged to obtain funding from the U.S. Department of Agriculture through its Market Access Program (MAP) and Foreign Market Development (FMD) program. Third-party funds from international collaborators provide additional dollars and in-kind support, further enhancing USMEF's international reach.

And this investment is paying off—big time.

A recent study by the Agribusiness, Food, and Consumer Economics Research Center at Texas A&M University determined that USDA export promotion programs such as those implemented by the U.S. Meat Export Federation are returning big dividends.

In 2018, beef and pork exports accounted for:

- 459.7 million bushels of corn
- 2 million tons of DDGS
- $1.62 billion in value to corn
- $291 million to DDGS
- $450 million to ethanol mills

Expected value by 2027

- $2.5 billion combined value to corn and DDGS in 2027
- $22.2 billion combined value to corn and DDGS from 2018-2027

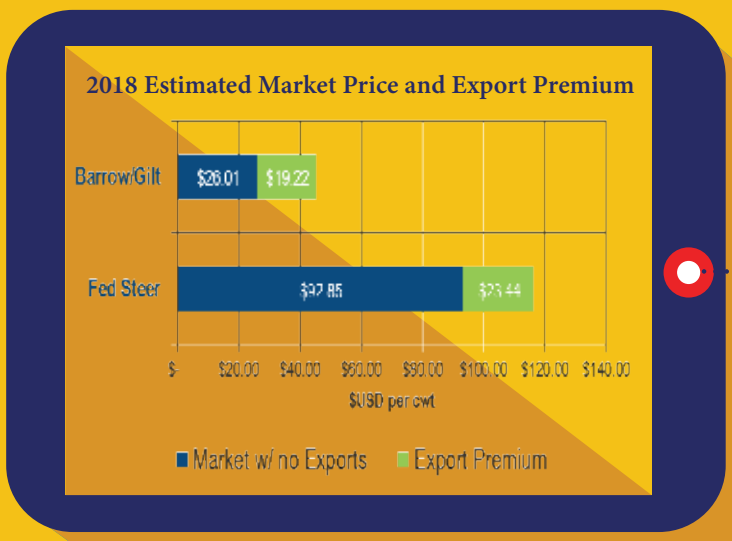
In fact, the study concluded that the return on investment is 28 to 1!

The study also determined that the powerful combination of MAP, FMD and agricultural stakeholder funding:

- Boosted average annual farm cash income by $2.1 billion (2002-2014)
- Directly created 239,000 new jobs including 90,000 farm sector jobs (2002-2014)
- Contributed $309 billion to farm export revenue between 1977 and 2014, an average of $8.2 billion per year

In 2014 alone, the non-profit agriculture organizations that participated in MAP and FMD contributed $470 million to the program. Stakeholder investments in the U.S. Meat Export Federation are leveraged with MAP and FMD funds to create a positive return that boosts the bottom line for America's corn and livestock producers.

The export premium directly impacts livestock finishers' capacity to cover feed costs. A positive export premium adds to the profitability of feeding, which helps both the feeder and the corn farmer.

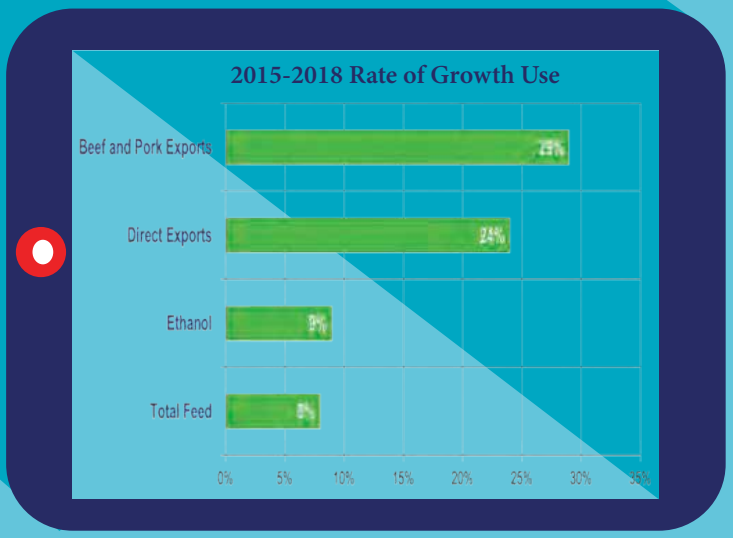


Bottom line: Red meat exports are big business for American livestock producers and corn farmers.

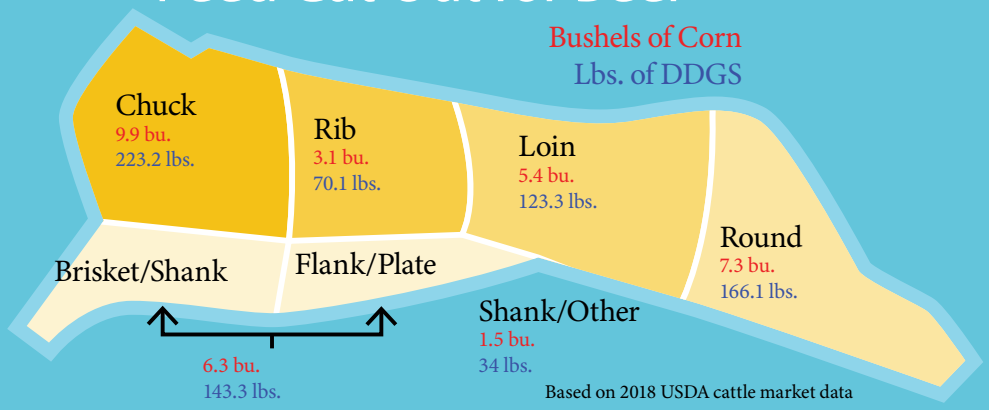
RTS TO YOU AS A CORN PRODUCER?

From 2015-2018:

- Indirect exports through beef and pork were the fastest growing category of corn use
- 1 in 4 bushels of increased feed use was exported through beef and pork
- Record exports underpinned production growth
- Beef production increased 14% and pork production increased 7%
- Beef exports increased 28% and pork exports increased 17%



Feed Cut Out for Beef



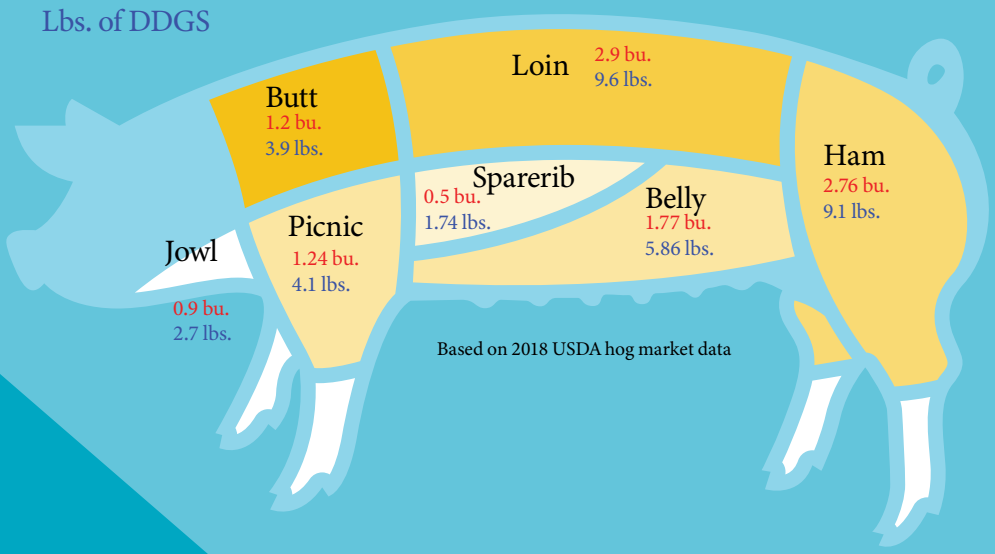
Based on 2018 USDA cattle market data

Distillers grains are a significant component of beef and pork rations. In other words, red meat exports also help support America's ethanol industry—and that, in turn, helps sustain this important domestic market for U.S. corn farmers.

13.5% of U.S. beef is exported

25.8% of U.S. pork is exported

Feed Cut Out for Pork



Based on 2018 USDA hog market data

World Perspectives

Based on a study conducted by World Perspectives, Inc.

National Corn Growers Association

2019 Research Projects

Irrigation Innovation Consortium – to accelerate the development and adoption of novel water and energy efficient irrigation technologies and practices in order to create greater resiliency in irrigated production. (w/CSU, KSU, Texas A&M, U of N, Fresno State)

Dissolved Salts In Irrigation Water; Levels And Sources – will investigate current and historical salinity trends along the South Platte River considering source apportionment and impacts for irrigated agriculture. (w/CWCB; South Platte Basin Roundtable, Metro Roundtable)

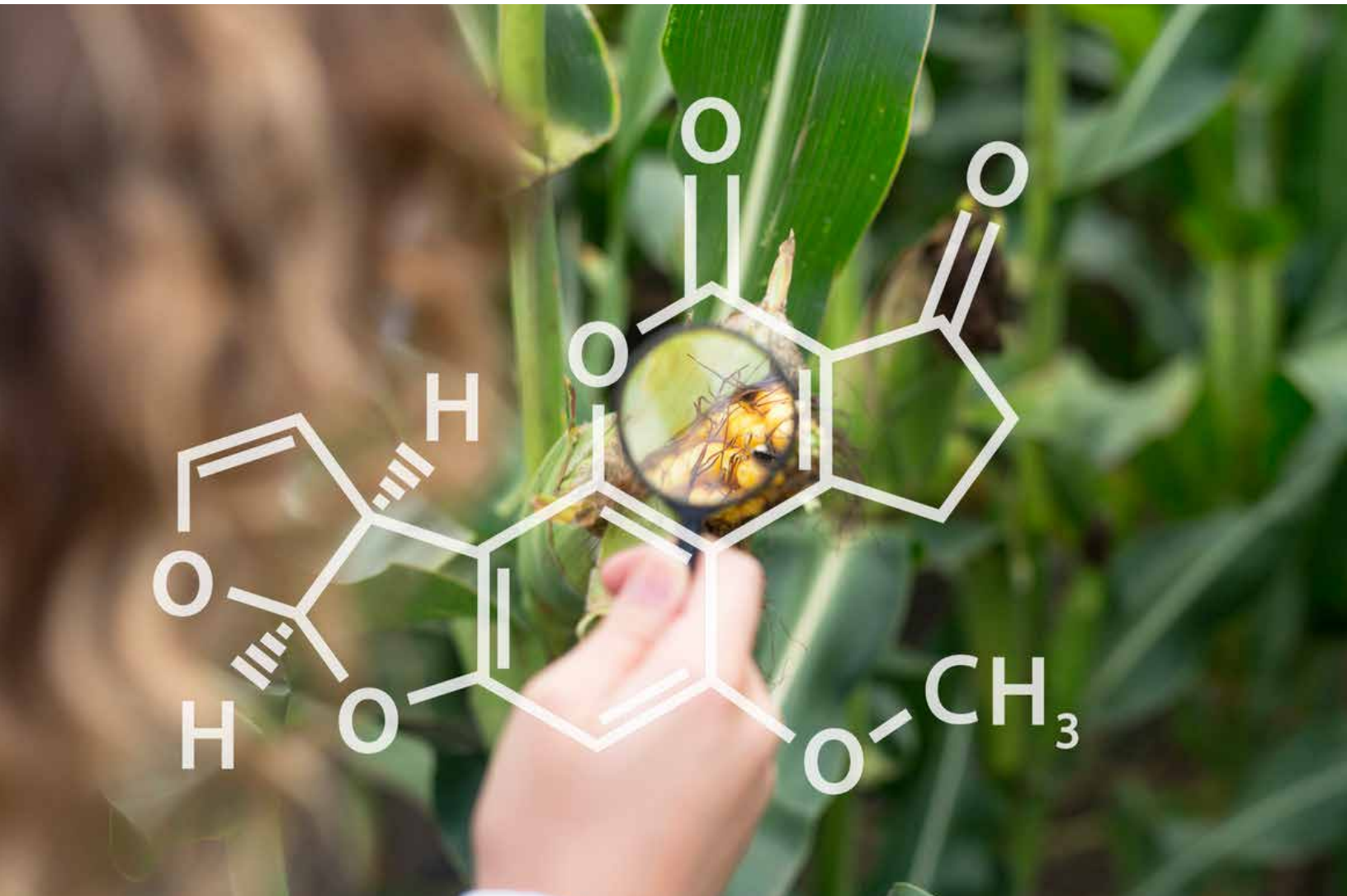
Selected NRCS-EQIP Practices; Quantify Water Quality Benefit – will evaluate water quality impacts of practices already adopted that agricultural producers have made toward protecting water quality, in support of on-going Reg 85 efforts. (w/CLA, WGCD, CSU, CDPHE)

Tillage & Residue Management To Enhance Soil Health - economics for corn producers – evaluate no-till under furrow irrigation for West Slope production. (w/CSU)

Edge of Field Water Quality Monitoring – quantify water quality improvement impacts of specific Best Management Practices to add data in support of Reg 85 efforts. (w/CSU)

FFAR Fellows Program – supports research on management techniques to mitigate impact of the bacterial pathogen Xanthomonas to field corn. (w/CSU, Found'n for Food and Agricultural Research)

Fumonisin Project – collaboration with Kansas, Texas, and the Aflatoxin Mitigation Center to research possible mitigation solutions.



Corn Marketing 101

Cash Price = Futures + Basis

Basis is the adjustment to futures price to determine delivery timeframe and delivery point. Typically, this is what merchandisers focus on when discussing pricing with producers. Basis can be thought of as a "local market adjustment" off of a nationally derived futures price.

There are many factors that affect basis levels. Colorado is a very diverse state in our production and usage, as well as the geographical locations in which these occur. For example, Yuma County is one of the highest producing counties of corn in the nation, while Weld County is a large user. Our job as merchandisers is to bring these markets together and figure out who needs corn when, and how much. This market diversity is beneficial to producers as very rarely are they "stuck" into selling to one market.

Basis Contract: Basis is locked in and delivery point and time frame have both been established. Futures are left unpriced. The producer can price the futures at any point but must do so prior to first notice day of the underlying futures month in which the basis is set against. An alternative to pricing the futures is to "roll" the contract. This takes the basis price from a set futures month and it gets "rolled" to the next futures month. For example: a basis was locked in for March delivery at -20H Delivered Yuma. The futures prices have been decreasing and the producer decides he would like more time to price. The basis contract would be rolled at the spread between March & May futures, (10¢ carry in this example) and the -20H basis contract becomes a -30K. Whether the producer was to price versus the March or May futures month, the cash price would be the same, holding futures prices constant.

Benefits to Basis Contracts: Time frame and delivery location are established. If the local market is demanding corn and basis levels are high but futures prices are not, a producer can capture the premium basis level without submitting to a low futures price.

Costs to Basis Contracts: No fee to establish a basis contract. Most grain companies will have a small fee for rolling from the contract month to the next, if the producer chooses to do so.

Risks to Basis Contracts: Futures decrease or basis levels continue to firm.

When/Why you would want to do this contract: Basis levels are very strong but futures prices are not, you think futures prices will increase and could cause basis levels to decrease.

HTA: Hedge-to-Arrive/Futures First Only– Futures are locked in but basis and delivery point have not been set.

Benefits to HTA's: A producer can capture high futures prices but does not have to lock in basis if they believe it will improve or is too low for their area. No margin calls.

Costs to HTA's: Grain companies typically charge a services fee for holding the futures and covering margin calls. The farther out a future month locked in, the higher the service fee. This is broken down on a per bushel amount. The producer is unable to delivery grain against the contract until basis levels have been set.

Risk to HTA's: Futures price continues to firm and/or basis levels decrease.

When/Why you would want to use this contract: Forward futures are very strong, but the basis market in the future is not defined or very weak, below historical levels.

Priced Contract / Flat Price: Both futures and basis are locked in and create a cash price.

Costs of Priced Contracts: (none)

Benefits of Priced Contracts: Lock in a price and only concern is execution. If price goes down, the producer is locked in at a higher price.

Risks of Priced Contracts: Price increases and you are unable to capture the gains.

When/why you would want to do this contract: The price is attractive and you do not have a strong opinion on whether basis or futures are going to improve.

Note: The risks and explanations mentioned above are limited to face-value and are solely the opinion of West Plains LLC. There is inherent risk in the physical trade of corn and forward contracts such as, but not limited to, over-contracting, futures price moment, and logistical limitations due to unforeseen circumstances. West Plains LLC strives to establish a high level of customer service in which all items within a contract are discussed and understood by both parties. If you have any questions regarding the information provided above please reach out to Nick Leiding, Merchandiser, West Plains LLC at 970-660-1744 or NickL@WestPlainsLLC.com.

colorado Corn
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CCGA & CCAC
Upcoming Events & Activities

Focused on Your Bottomline:

Grain Marketing & Risk Management in 2019

District 8 - Thursday, July 11th ~ Delta, CO

District 1-2 - Thursday, August 1st ~ Greeley, CO

District 7 - Wednesday, August 7th ~ Springfield, CO

District 3 - Tuesday, August 20th ~ Sterling, CO

District 4 - Wednesday, August 21st ~ Holyoke, CO

District 6 - Tuesday, August 27th ~ Stratton, CO

District 5 - Wednesday, August 28th ~ Wray, CO

For more meeting details, go to: **www.coloradocorn.com**

CCAC & CCGA Annual Event - December 4th & 5th ~ Greeley, CO