April 3, 2014

U.S. Wheat Associates (USW) is the industry’s market development organization working in more than 100 countries. Its mission is to “develop, maintain, and expand international markets to enhance the profitability of U.S. wheat producers and their customers.” The activities of USW are made possible by producer checkoff dollars managed by 19 state wheat commissions and through cost-share funding provided by USDA’s Foreign Agricultural Service. For more information, visit www.uswheat.org or contact your state wheat commission. Original articles from Wheat Letter may be reprinted without permission; source attribution is requested. Click here to subscribe or unsubscribe to Wheat Letter.

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USW Price Report: www.uswheat.org/prices

1. USDA Pegs Total U.S. Wheat Planted Area Down for 2014/15

By Casey Chumrau, USW Market Analyst

Farmers and customers alike eagerly awaited the annual USDA Prospective Plantings report released on March 31 because information in the report adds perspective to wheat market factors in the final months of the marketing year and can influence prices moving into the new crop. This year, USDA released two reports on the same day: a bearish stocks report for wheat that outweighed a slightly bullish plantings report. As a result, all three U.S. wheat futures markets closed lower in both nearby and deferred months.

USDA bases Prospective Plantings report data on producer surveys. This year, USDA forecasted that total U.S. wheat planted area for the 2014 harvest would fall 1 percent from last year to 22.6 million hectares (55.8 million acres). If realized, it would equal the average planted area for the past five years.

The report also provided the first indication of expected spring wheat and durum acres. USDA projected a 4 percent increase in total spring planted area at 4.8 million hectares (12.0 million acres). The report expected the majority of the spring planted area, 4.52 million hectares (11.3 million acres), would be planted to hard red spring (HRS) wheat. If realized, it would be a 3 percent increase in HRS acres but 6 percent below the five-year average of 4.8 million hectares (11.9 million acres). The forecast was on par with expectations, according to Erica Olson, marketing specialist with the North Dakota Wheat Commission. She attributes the increased acreage to higher wheat prices and lower corn prices in the past few months, which should encourage many farmers to plant more wheat and less corn. In addition, farmers will likely increase crop rotations to spring wheat this year because wet weather prevented quite a bit of spring wheat planting last year.
Farmers told USDA they intend to plant 0.72 million hectares (1.8 million acres) to durum this year, up 22 percent from last year but still 11 percent below the five-year average. According to Olson, stagnant northern durum prices are keeping planted area below historical levels. Durum is the smallest U.S. wheat class by volume and large production in the north can greatly affect prices. A huge Canadian durum crop last year suppressed U.S. durum export demand and will further reduce durum seeding this year.

The plantings report also provided an update on winter wheat acreage. USDA estimates 16.8 million hectares (42.0 million acres) were planted to winter wheat, which is down 3 percent from last year but up slightly from the previous estimate. Of that, the report said 12.1 million hectares (30.2 million acres) were planted to hard red winter (HRW) wheat, the largest U.S. wheat class by volume. If accurate, 2014 planted area would be 2 percent higher than both last year and the five-year average. Currently, extremely dry conditions through the HRW growing area are downgrading production prospects. Conditions diminished during the dormant winter months and moisture is badly needed now as the crop reemerges. Still, according to the U.S. Drought Monitor, the situation is not as dire as it was at this time last year.

The report indicated that farmers seeded an estimated 3.38 million hectares (8.43 million winter acres) to soft red winter (SRW) wheat for 2014/15. That would be down from last year when SRW planted area hit 4.0 million hectares (10.0 million acres) for only the third time in 15 years. If realized, that planted area would still be 5 percent greater than the five-year average.

The remaining 1.62 million hectares (4.05 million acres) are dedicated to white wheat, including 1.34 million hectares (3.35 million acres) of soft white (SW) and hard white (HW) winter wheat. If realized, planted area would be down from 1.66 million hectares (4.16 million acres) last year and 3 percent below the five-year average.

2. U.S. Wheat Exports Overcome Bearish Start to 2013/14

Two senior managers from U.S. Wheat Associates (USW) recently reported near record U.S. wheat imports in their regional markets for marketing year 2013/14. In fact, with eight weeks left in the year, commercial sales of 29.5 million metric tons (MT) through March 20 would exceed total annual sales in all but one of the last six years. USDA currently expects total 2013/14 U.S. wheat exports to reach 31.9 MMT.

At the start of this year, however, neither USDA nor many other analysts expected such a strong showing for U.S. wheat in the global wheat market. In its May 2013 World Agricultural Supply and Demand Estimates (WASDE) report, USDA projected that global wheat production for 2013/14 would set a new record high of 701.1 MMT. Citing large crop forecasts for major export competitors that would limit opportunities for U.S. wheat, USDA set its forecast for 2013/14 U.S. wheat exports at 25.2 MMT. Yet looking back, USDA’s May 2013 forecast also included a production decline in the United States amid record global demand. In addition, Brazil had suspended a 10 percent import duty on non-Mercosur origin wheat in April because Argentina’s 2012/13 crop fell short. Yet at that time, Argentina’s new crop prospects were better and most analysts believed Brazil’s duty suspension would remain in effect for only a few months.

U.S. wheat futures and export prices initially responded primarily to bearish supply news. Export prices trended down through June 2013 for Gulf origin SRW and HRW as well as for Pacific Northwest origin HRS and SW. The market was trying to compete with lower cost wheat from the Black Sea region moving mainly to the Middle East and North Africa. That month, dry weather in Ukraine and Russia prompted USDA to lower its production forecast for the region and slightly increase U.S. wheat export expectations. By the end of June, the markets saw China beginning to purchase significant amounts of SRW.

“I think our representatives in China were able to demonstrate the value of our SRW crop, and officials saw an opportunity to stock up on some excellent quality wheat at very attractive prices,” said USW Vice President of Overseas Operations Vince Peterson. “But, I can’t say anyone at that time expected the Chinese would import 3.57 MMT of SRW from the Gulf in 2013/14.”
After making a slight adjustment up in June, USDA raised its U.S. wheat export forecast to 27.9 MMT in July. The agency saw growing demand for wheat around the world for feed use, strengthening demand from China (which purchased more than 1.0 MMT of SRW the week of July 8) and increased opportunity for U.S. HRW sales to Brazil (which had not yet ended the suspension of its wheat import duty). USDA cited Chinese demand again in August when it increased its U.S. wheat export forecast again, this time up to 29.9 MMT. In September, USDA dropped its production forecast for Argentina due to of weather concerns but it did not change its forecast for total U.S. wheat exports for several more months.

In January, however, USDA raised its export forecast for HRW on the strong pace of sales and shipments and lower expected competition from Argentina, particularly in Brazil’s milling wheat market. The pace of HRW sales to Brazil slowed a bit in November as its millers eyed the Argentine crop but quickened again and since has remained remarkably consistent. Current HRW commercial sales to Brazil stand at 3.96 MMT even though its government reinstated the import duty in December. Most recently, USDA lowered its forecast for competitive wheat exports in 2013/14 based on reductions for Kazakhstan and Argentina that more than offset an increase for the European Union. By its March 10 WASDE report, USDA raised its expected total U.S. wheat exports to the current level.

“Total U.S. commercial sales as of March 20 are 29.5 million metric tons,” USW Market Analyst Casey Chumrau reported in the latest USW Price Report. Year-to-date sales of HRW, HRS and SRW are well ahead of 2012/13, durum sales are roughly on an equal pace and white wheat (including SW and HW) sales are within 5 percent of 2012/13. “Looking back over the past five years, U.S. wheat sales in April and May average about 1.6 million metric tons so that would put us very close to USDA’s forecast,” Chumrau said.

It is important to note that supply and demand changes through the past marketing year have significantly reduced the stocks-to-use ratio for HRW, SRW and white wheat. After starting 2013/14 at 35 percent, the stocks-to-use forecast for HRW is now 20 percent going into the new crop. The ratio has dropped from 25 percent to 19 percent for SRW and from 24 percent to 17 percent for U.S. white wheat. That means USW and our customers will be paying extra close attention to the potential impact of dry conditions in the HRW and white wheat production regions as well as in competing areas of production in the Black Sea region.

3. USW Brings Customers to U.S. Partners for Top Notch Education

By Julia Debes, USW Assistant Director of Communications

Springtime brings green wheat emerging from winter and buyers’ quest for knowledge about how the crop is doing. Customers around the world are also wondering how they can best utilize the reliability and quality of U.S. wheat for their own products and businesses. To share how the successful working relationships with our educational partners help USW link customers directly to the wheat they purchase and the farmers who grow it, here is a look at some of recently completed, ongoing and upcoming activities.

Korea Whole Wheat Noodle Development Team. Since 1989, the Wheat Marketing Center (WMC) in Portland, OR, has offered courses-on-demand to allow customers to test different U.S. wheat blends in their products. Most recently, five Korean millers and noodle manufacturers, accompanied by USW Country Director Chang Yoon Kang, participated in a Korea Whole Wheat Noodle Development Team at the WMC March 17 to 24. The course helped team members learn about whole grains and their health benefits, functional ingredients that can be used in whole wheat product development and improvement of nutritional and functional properties of instant noodles. In the lab workshop sessions, the team developed various tests to determine the optimal blend formulation.

Chris Cullan, who serves as chairman of the WMC board of directors, stopped in to observe the course and said the experience demonstrated the strength of the relationship between USW, the WMC and Korean millers and bakers.

“The team was there to learn something they could take home to improve their products and perhaps make it more economical in terms of flour blends,” he said.
As a Nebraska wheat farmer, Cullan enjoyed the personal interaction with the team. The team even pulled Cullan into a taste test, asking him to rate the noodles made from four blends of U.S. wheat flour in order of preference.

“All of the overseas customers I meet at these courses or on the trade teams are just like us,” he said. “They want to do a good job and earn an income that provides for their families.”

**IGP Grain Purchasing Short Course.** USW has sponsored participants to attend courses at Kansas State University’s International Grains Program (IGP) for more than 30 years. Currently, four USW-sponsored customers from Nigeria are attending the Grain Purchasing Short Course running from March 31 to April 11. The course covers the entire U.S. grain supply chain system including discussions on genetic engineering, grain-grading practicums, lectures on export contracts and systems, outlooks for world supply and demand and more.

**NCI Pasta Production and Technology Short Course.** Representatives from more than 100 countries have attended a short course, seminar or trade team visit at North Dakota State University’s Northern Crops Institute (NCI) in Fargo, ND, since it opened in 1981. Next week, four USW-sponsored participants from Nigeria will add to that long history when they attend the Pasta Production and Technology Short Course from April 9 to 11. The course includes lectures on durum quality and functionality as well as hands-on laboratory activities, pilot-scale pasta processing and even a final cooking exercise.

**Japan Executive Millers Team.** Trade team season for USW kicks off at the end of April with the Japan Executive Millers Team April 28 to May 5. The team of five flour milling executives, accompanied by USW Country Director Wataru Utsunomiya and USW Assistant Director of Policy Tyler Jameson, will travel to Washington, DC, Fargo, ND, Omaha, NE and Portland, OR. The team will visit the Chicago Board of Trade, meet with USDA and industry groups as well as tour port facilities. As always, the team is hoping to get out into some U.S. wheat fields as well.

**4. Reducing Trade Barriers is Important for Farmers and Their Customers**  
*By Shannon Schlecht, USW Vice President of Policy*

This week, the Office of the US Trade Representative (USTR) released its [annual report on trade barriers](https://ustr.gov). The report covers a range of trade barriers, including specific reports on technical barriers and sanitary-phytosanitary measures that hinder the movement of American goods and services, including U.S. wheat, around the world. USW had an opportunity to provide input on these reports and raise issues on behalf of wheat exporters and importers.

While wheat typically does not face as many non-tariff trade barriers as other commodities, various impediments remain that restrict the free flow of high quality U.S. wheat to potential customers around the world and increase costs for existing customers. Today’s report highlights concerns with several government policies in various countries that negatively affect trade flows.

One potential concern highlighted by USW is the zero tolerance on various weed seeds set by importing countries as they expand lists of excluded weed pests. Excluded weed seeds may be present in a number of exporting countries, making this requirement technically impossible for many countries to meet. Because of the transparency and credibility of our certification system, U.S. wheat could be shut out of markets while other countries continue to claim adherence to these phytosanitary requirements. Another concern is the lack of a low level presence policy by countries to account for the inadvertent presence of biotech crop material in U.S. wheat shipments. This zero tolerance approach can stifle trade flows, even though regulators have certified the safety of the material (which the milling process will likely remove).

Another issue highlighted in the report relates to Turkish flour exports. USTR stated, "The Turkish Grain Board generally sells domestic wheat at world prices (which are well below domestic prices) to Turkish flour and pasta manufacturers in quantities based upon their exports of flour and pasta." This practice constitutes an export subsidy, creates unfair competition in the flour market, and continues to harm millers in such markets as Southeast Asia where cheap Turkish flour is being dumped.
USW is on the record with its belief that India has been over-subsidizing domestic wheat production while also subsidizing wheat exports from abundant stocks. USTR agreed with this assessment and noted in its report that: "In August 2013, the [Indian] government authorized an additional two million [metric] tons of wheat exports from government-held stocks. It also lowered the minimum price at which those stocks could be sold to $260 per [metric] ton F.O.B., significantly below the government’s acquisition cost of $306 per [metric] ton, plus storage, handling, inland transportation cost and other charges for exports."

Working with our government to create new market access as well as monitoring and enforcing agreed upon commitments is a key objective of USW's trade policy efforts. USW is pleased to see increased scrutiny on policies that negatively affect the world wheat trade. Working together with our customers can help us fully realize these past commitments and ensure the most competitive policies are in place to provide the highest quality and most affordable food products. USW wants its customers to feel free to share concerns with our staff to help us work together to improve the trade with our reliable U.S. wheat producers.

5. Website Offers Answers to Top Consumer Questions about Plant Biotechnology

Millers, bakers and other wheat food stakeholders have a new online resource about genetically modified (GM) crops. Following a survey that identified, for the first time, the top 10 questions consumers have about GMOs, this effort helps open up the conversation on biotechnology's role in agriculture. Over the next several weeks, scientists, farmers, doctors and other experts will be answering one of the top 10 questions each week on the GMO Answers website, via Twitter, on Facebook and on Pinterest.

Dr. Kevin Folta, University of Florida (UF) interim chairman and associate professor in the UF Horticultural Sciences Department, answered the first question: Do GMOs cause cancer?

"The short answer is no," Dr. Folta wrote. "There is absolutely zero reputable evidence that GMO foods cause cancer. Cancer is a name applied to a spectrum of diseases where cells proliferate abnormally. There is no way that the subtle and well-understood alterations of a plant's genes can cause cancer. There is nothing about the Bt protein (used in insect resistance, also in organic pest control), the EPSPS enzyme (which confers herbicide resistance, simply by substituting for the native enzyme in the plant) or the process itself, that would induce the genetic changes in human cells that would lead to cancer. It is just not plausible.

"Some of the confusion comes from reports where the Bt protein or glyphosate (the herbicide used on some GM crops) is applied to cell lines in a petri dish, and the cells show changes associated with stress and perhaps abnormal proliferation. However, cells in a dish do not behave like cells in the body. Through years of careful evaluation, there is no reliable evidence that GM foods cause the same changes in a living organism.

"Quite to the contrary, future plants may be engineered to produce nutrients that fight/prevent cancer, or even eliminate compounds that increase cancer risk. One such product is close to commercialization. Potatoes produce a small amount of acrylamide, a potential carcinogen, when heated to high temperatures. A potato has been engineered to not produce that compound, leading to safer food."

Experts have also posted answers to the second and third most asked U.S. consumer questions on the GMO Answers website.

Registered Dietician Lisa Katic shared her perspective on whether or not GM crops are causing an increase in allergies noting, "No commercially available crops contain allergens that have been created by genetically engineering a seed/plant and the rigorous testing process ensures that will never happen."

 Farmers and others also addressed the question, “Are big companies forcing farmers to grow GMOs?” Brian Scott, an Indiana farmer who grows corn and soybeans talked about his experience purchasing seed for his farm. He
said, "None of the seed companies force farmers like me to buy any particular product. … I can buy any seed from
any vendor I choose from one year to the next."

Speaking on behalf of GMO Answers, Dr. Cathleen Enright said a dialogue is taking place about GMOs and it is
important for the scientists and agricultural community listen to consumers and provide information to help address
their questions and concerns.

"We are committed to transparency about how our food is grown, including an open discussion about GMOs," she
said. "This is why we asked independent, third-party experts to answer these questions publicly. Our goal is to
ensure consumers have the information they need to make up their own minds about GMOs."

For more information about plant biotechnology and wheat, please visit http://www.uswheat.org/biotechnology.

6. Wheat Industry News

- **Borlaug Summit on Wheat for Food Security.** On the 100th birthday of Dr. Norman Borlaug, Nobel Peace
  Prize winner and dedicated wheat researcher, CIMMYT hosted a summit attended by nearly 700 people
  from more than 60 countries. For more information or to see a snapshot of the Summit, visit
  http://blog.cimmyt.org/category/borlaug-100/.

- **WMC Cookie and Cracker Technology Short Course.** The WMC will hold its Cookie and Cracker
  Technology Short Course May 12 to 16, 2014. For more information or to register, visit

- **IGP Milling Courses.** The IGP will have its Basic Milling Principles Short Course June 3 to 6, 2014 and its
  Advance Milling Principles Short Course June 10 to 13, 2014. For more information or to register, visit
  http://www.grains.ksu.edu/igp/.

- **NCI Advanced Grain Procurement Course.** The NCI in Fargo, ND will hold its Advanced Grain
  Procurement Strategies Short Course May 19 to 23, 2014. For more information or to register, visit

- **World Conservation Agriculture Meeting in Winnipeg.** The sixth World Congress on Conservation
  Agriculture will bring together agricultural experts in Winnipeg June 22 to 25, 2014 to discuss sustainable
  intensification, climate resilient systems and innovation adoption. For more information, visit
  http://www.ctic.org/WCCA.

- **Condolences to the family of Don Dubois,** who passed away March 30 at the age of 93. Dubois was a
  long-time employee at AIB International who also worked as a USW consultant. For more information,
  please visit http://bit.ly/OfzfFL.

- **Follow USW Online.** Check out our page at www.facebook.com/uswheat for the latest updates, photos
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  http://www.youtube.com/uswheatassociates.

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