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## Wheat Letter

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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." USW activities are funded by producer checkoff dollars managed by 18 state wheat commissions and USDA Foreign Agricultural Service cost-share programs. For more information, visit [www.uswheat.org](http://www.uswheat.org) or contact your state wheat commission. Stakeholders may reprint original articles from *Wheat Letter* with source attribution. Click [here](#) to subscribe or unsubscribe to *Wheat Letter*.

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### 1. **Spring Brings Weather Concerns and the First Look at World Production Forecasts**

*By Stephanie Bryant-Erdmann, USW Market Analyst*

The end of March heralds not only the beginning of spring — which is a crucial time for both winter and spring wheat production — but also the first round of 2016/17 world wheat production forecasts and winter wheat condition reports.

**Black Sea** — Spring planting began two weeks earlier than normal in Russia and Ukraine thanks to a mild winter, which also improved winter wheat conditions in Russia. As of Feb. 26, Reuters reported 10 percent of Russian winter grains were rated in poor condition, down from 11 percent in the last crop condition report on Nov. 25, 2015. However, Russia agriculture consultancy SovEcon still expects Russian wheat production to decline by 5 percent less in 2016/17 to an estimated 58.0 million metric tons (MMT). Ukrainian consultancy UkrAgroConsult pegged 2016/17 Ukraine wheat production at 17.3 MMT, down 30 percent from 2015/16. Poor weather during fall planting reduced Ukrainian winter wheat planted area to 14.5 million acres (5.89 million hectares), down 13 percent from 2015/16.

**Canada** — On March 16, Agriculture and Agri-Food Canada released the latest update to its [Canada: Outlook for Principal Field Crops](#) report. According to the report, relatively higher durum prices in

2015/16, especially compared to spring wheat, will increase Canadian durum planted area by 2 percent in 2016/17. Durum production, forecast to reach 5.90 MMT, will increase an estimated 9 percent year over year. Canada's winter wheat seeding increased 24 percent with good planting conditions in Ontario. That increase offset an anticipated 4 percent decline in spring wheat seeding, due to increased competition from durum, oilseeds and pulses. Despite 2 percent lower planted area, expected higher yields will push wheat production higher in 2016/17, according to the report that pegged 2016/17 Canadian production at 23.0 MMT, up 4 percent from 2015/16.

**European Union (EU)** — According to the March EU crop monitoring service ([MARS](#)) report, EU winter conditions provided adequate rainfall and moderate temperatures across the region with a few notable exceptions. Northern Morocco and northern Algeria reported one of the lowest accumulated rainfalls in history. MARS pegged EU 2016/17 soft wheat (non-durum) yields at an average 88.7 bu/acre (5.96 t/ha), down from 93.1 bu/acre (6.26 t/ha) last year. The EU report forecasted durum yields at 49.5 bu/acre (3.33 t/ha), which would be down 5 percent year over year. The European Commission projects EU wheat production to total 142 MMT, down from 151 MMT in 2015/16.

**India** — Wheat harvest is currently underway in India, the world's second largest wheat producer behind China, after heavy rains and hail delayed harvest in several key states earlier this month. Officials are still assessing the extent of the rain and hail damage; however, the timing of these storms is similar to those that cut Indian wheat production to 86.5 MMT last year. On March 19, [Reuters reported](#) as much as 14 percent of the estimated 93.8 MMT of production may be lost. USDA forecasted Indian 2015/16 ending stocks at an estimated 13.2 MMT, down 23 percent year over year.

**United States** — While USDA will not release the U.S. Prospective Plantings report until March 31, it provided an early estimate in February for U.S. spring wheat and durum planted area of 14.4 million acres (5.83 million hectares), down 5 percent from 2015/16. Weekly crop progress reports for select states noted warm, dry weather in the Northern Plains allowed farmers to prepare for U.S. spring planting two weeks earlier than normal. However, that same warm dry weather is also decreasing soil moisture across the hard red spring (HRS) and northern durum region. As of March 22, the [U.S. Drought Monitor](#) shows abnormally dry conditions across most of North Dakota, the top HRS producing state.

Warm weather also caused winter wheat to break dormancy earlier than normal this year across much of the Southern Plains, leaving it vulnerable to a late freeze. Over the weekend, Kansas and Oklahoma farmers — who produce over half of the U.S. hard red winter (HRW) crop — experienced an extended period of cold weather. Southeast Colorado also saw the freeze. It will take a few weeks to discover the extent of the freeze damage to the wheat. As of March 21, USDA reported 20 percent of the Kansas crop and 38 percent of the Oklahoma crop was in the vulnerable jointing stage. USDA will resume weekly crop progress reports for the United States on April 4.

We are months away from knowing what the 2016/17 world wheat crop will look like, and as always the weather will have the final say on yields and production. However, with an estimated 26.3 MMT of wheat left in the bins from 2015/16, the U.S. wheat store will continue to supply high-quality wheat to its customers; regardless of what happens in 2016/17.

## **2. Air Force One Lands in Cuba**

*By Ben Conner, USW Deputy Director of Policy*

Before this week, Air Force One had never been to Cuba. As the call sign for planes used to transport the President of the United States, Air Force Ones have landed in over 100 countries, but not once in Cuba until this past Sunday. That day marked the start of the first trip by a sitting U.S. president to Cuba since 1928.

President Obama spent three days in Cuba, along with a large delegation of government officials and industry representatives. Most importantly for agriculture, several representatives of the U.S. Agriculture Coalition for Cuba (USACC) made the trip at the invitation of the U.S. Secretary of Agriculture. Representing wheat farmers was Doug Keesling from Kansas.

“We need to put politics aside. It is time for the people of Cuba and the United States to finally be able to meet each other face-to-face,” said Keesling. “Whether we are looking to make deals on wheat shipments or just enjoy each other’s company over mojitos and cigars, we are tired of dealing with these restrictions. It’s time to move on to the next chapter in U.S.-Cuban relations and end the embargo.”

It was an eventful few days for the USACC members, who met with counterparts in Cuban agriculture and participated in events with agriculture leaders from both U.S. and Cuban governments. USACC acted as ambassadors for U.S. agriculture in a country where there has been far too little exposure in decades, even handing out Cuban and American flag lapel pins on the streets.

A lot has happened in the nearly 90 years since a U.S. President last visited Cuba. Most significantly, for U.S.-Cuban relations, revolutionary armed forces led by Fidel Castro deposed the U.S.-backed government in Havana in 1959. Very few U.S. citizens have ever approved of the revolutionary government in Havana or supported its efforts to spread Marxist ideology beyond its shores. Since the end of the Cold War, pronounced ideological differences have persisted, though ideological conflict has largely subsided.

According to public opinion polls, most Americans support repealing the laws collectively known as the Cuba Embargo. Generally, supporters of repeal believe it would be better for both the Cuban and American people if the two countries can trade and interact freely, or at least without obstacles imposed by the United States. Along with President Obama, many Members of Congress – both Republicans and Democrats – support engagement instead of sanctions. Several from both parties accompanied the President this week in Cuba, along with Secretary of Agriculture Tom Vilsack and other Cabinet members.

Cuba is the largest wheat market in the Caribbean, but U.S. exports have dried up completely since 2011. The single largest obstacle preventing the resumption of wheat exports to Cuba is codified in U.S. law and will take an act of Congress to repeal. The embargo must end and the wheat industry will continue advocating for that action.

### **3. China’s Excessive Wheat Subsidies and Other Policies Increase U.S. Farm Losses**

Over the past few years, USW and the National Association of Wheat Growers (NAWG) have demonstrated how the policies of a few advanced developing countries are distorting world wheat trade and hurting farmers in the United States and other wheat exporting countries. In 2015, an Iowa State University study sponsored by USW showed that China’s excessive wheat subsidies alone were costing U.S. farmers almost \$550 million per year. Now, just one year later, a January 2016 update of the study demonstrated that the decline in world prices has increased the projected annual loss in U.S. wheat farm revenue from China’s policies by 16 percent to \$653 million.

A 2014 study by DTB Associates showed that China far exceeds its limits on wheat subsidies set when it joined the World Trade Organization (WTO). China also agreed to allow wheat imports at a 1 percent tariff rate, up to a quota of 9.64 MMT. The out-of-quota tariff rate is 65 percent. China rarely administers this tariff rate quota (TRQ) as agreed and imports invariably fall far below the quota, even when its domestic prices are far above world market prices.

The evidence strongly supports the conclusion that China's noncompliant domestic subsidies and TRQ administration create artificial incentives for its farmers to grow even more wheat at a time when China already controls almost 40 percent of world wheat stocks. In turn, the policies suppress wheat import demand in China and put additional downward pressure on world wheat prices.

"Considering all the trade distorting policies U.S. farmers face in the world, the wheat subsidies in China and in other developing countries have the most serious effect on farm gate prices and trade flows," said USW President Alan Tracy. "The studies we have sponsored clearly show the problem is growing more serious at the worst time for farmers who are already facing unprofitable prices."

"We have already seen prices collapse to unsustainable levels in just a few seasons," said NAWG President Gordon Stoner, a wheat grower from Outlook, MT. "The drain on my income and the income of every wheat farmer in the United States will keep getting worse if China's policies are not brought back into compliance with the commitment its government made to trading partners."

"Based on evidence that such policies are cutting deeper into farmer revenue, the boards of directors for USW and NAWG recognized that the time has come to put egregious cases like this on a path toward formal dispute settlement through the WTO," Tracy said. "Since these harmful policies are the acts of sovereign governments, our farmer organizations cannot battle them alone. We are working with the Office of the U.S. Trade Representative and USDA to develop a possible WTO challenge."

Visit <http://bit.ly/1UcOEgk> to read more.

#### **4. USW Board Teams Find Value in Visiting Overseas Markets and Customers**

Every year USW sends two board teams overseas to give U.S. wheat producers the opportunity to learn from customers about the wheat quality characteristics their markets prioritize and their thoughts on why they do or do not purchase U.S. wheat. Both of the 2016 board teams recently returned from their trips in mid-March.

**The 2016 EU/MEENA Board Team**, led by USW Program Manager, Erica Oakley, traveled to Morocco, Italy and Israel. The team included: Michael Edgar, a wheat farmer from Yuma, AZ, and a current USW director representing the Arizona Grain Research and Promotion Council; Ken Davis, a wheat farmer from Grandview, TX, and a current USW director representing the Texas Wheat Producers Board; and Michael Peters, a wheat farmer from Okarche, OK, and the secretary/treasurer of the Oklahoma Wheat Commission.

The team had the opportunity to meet with government officials, traders, seaport authorities, millers and bakers, all providing an unique perspective on the processing and marketing sectors of the wheat value chain in each country. In return, the team spoke on continued efforts to improve the quality of U.S. wheat while also retaining high yields.

"At each meeting, the team shared how, as farmers, they make decisions on what wheat varieties to grow and inputs to use. It seemed to come as a surprise to some that we visited on how much U.S. farmers need to make per bushel to break even — not to mention obtain a profit," said Oakley. "Others were surprised to hear that U.S. farmers are paid for the quantity of wheat that they produce, not necessarily for the quality."

As a first-time board team traveler, Michael Peters felt that the trip was an eye opening and incredibly valuable experience for wheat producers. In Italy and Israel, customers expressed interest in buying hard white (HW) wheat and Peters was able to share with them the progress that Oklahoma and Kansas are making in their latest varieties and when those may become commercially available.

Visiting two prominently durum markets gave Michael Edgar — a producer and trader — the chance to hear what characteristics the Moroccans like to see (color) versus what the Italians view as valuable (gluten, protein, etc.) when purchasing durum.

The markets the team visited were some of the toughest for exporting U.S. HRW and soft red winter (SRW), making the trip all the more valuable for a farmer like Ken Davis, who learned more about what qualities the customers deem as valuable, and emphasizing the need for better strategy to target those niche markets.

**The 2016 North Asia Board Team**, led by USW Policy Specialist, Elizabeth Westendorf, traveled to Japan and Korea. The team included: Darren Padget, a wheat farmer from Grass Valley, OR, and a current USW director representing the Oregon Wheat Commission; Greg LeBlanc, a wheat farmer from Crookston, MN, and a director of the Minnesota Wheat Research and Promotion Council; Clark Hamilton, a wheat farmer from Ririe, ID, and a current USW director representing the Idaho Wheat Commission; and Gary Bailey, a wheat farmer from St. John, WA and a current USW director representing the Washington Grain Commission.

“Traveling to these countries gave the team a unique opportunity to talk directly with international customers about the wheat they use and what they look for in a product,” said Westendorf. “Each team member shared their own story on what they grow, how they raise it and why they make certain production decisions. They shared photos of their farm and equipment, and each spoke on U.S. farmers’ commitment to producing a quality product.”

The team visited wheat product facilities and mills in both Japan and South Korea, allowing them to observe the differences in production and milling between the two countries, while also discussing U.S. wheat use in everyday products. In Japan, one of the highlights was getting to sample Japanese bread products at Pasco. These products, made partially from U.S. wheat, are vastly different from U.S. bread products, and tasting this difference was helpful for the team in understanding Japanese baking goals.

Darren Padget took the opportunity to explain the details of the wheat/fallow rotation he uses to ensure enough moisture in the soil, a technique of which most Japanese millers were not aware. Padget, Hamilton and Bailey each spoke about current soft white (SW) conditions on their farms and last year’s protein spread, as well as the industry’s process for continuous varietal improvement. Greg LeBlanc, a HRS wheat farmer, offered his perspective on the HRS crop and on current efforts to ensure continued high baking quality and protein.

The team connected with agricultural staff at the U.S. embassy in both countries, allowing them further insights into the intricacies of the agricultural background of Japan and South Korea. In Korea, Embassy staff also joined the team for a day when they toured the Nongshim noodle factory. This was one of the highlights of the trip for the members as U.S. wheat is an essential ingredient in the production of their popular packaged ramen noodles consumed throughout Asia, and the team was able to watch the fried noodles being produced.

“Board team trips are a valuable learning experience not only for the board members participating, but also for the customers with whom they meet, many of whom have never had the chance before to speak directly to farmers producing the wheat they buy,” said Westendorf. “This kind of relationship building

exercise strengthens brand loyalty and allows international customers to fully comprehend the effort and dedication our farmers put into their wheat production.”

Oakley added, “The value of USW board team trips is clear. Providing an open and direct line of communication between those that grow the wheat, those that mill the wheat and those that transform wheat into end-user products, benefits everyone.”

Both teams will report to the USW board at meetings later this year. To see pictures from the trips please visit the USW Facebook page at [www.facebook/uswheat](http://www.facebook/uswheat).

## **5. National Wheat Improvement Committee Advocates for Research Funding**

*Excerpts from the National Association of Wheat Growers Newsletter.*

The United States has a long-history of advancing wheat quality to satisfy the demand of a growing world market for high quality, wholesome grains that become the ingredients of a sophisticated food industry. The [National Wheat Improvement Committee \(NWIC\)](#) — including public wheat breeders, farmers and industry stakeholders — serves a vital role by providing farmers with high quality seed stock so that the United States can produce superior quality wheats demanded by domestic and overseas markets. Unfortunately, wheat research funding relative to the economic viability of U.S. wheat is inadequate

“In many cases, due to the strong dollar, these quality wheats now garner a substantial premium, reflecting their intrinsic end-use functional value,” said USW Vice President and West Coast Office Director Steve Wirsching. “To maintain our competitive advantage in the area of quality, U.S. farmers need new breeding technology that will require continued investment from both public and private sector stakeholders.”

To sustain the research needed to improve U.S. wheat’s position in foreign markets, the NWIC has determined that Congress needs to provide \$3.4 million more every year in research funds. As a part of its educational activities, the NWIC brought 21 wheat breeders and stakeholders to Washington, DC, March 15.

Armed with a priority list of critical research appropriation requests, NWIC members made their case with key contacts in USDA and Congress. Their requests included full funding for the U.S. Wheat and Barley Scab Initiative and next-generation genotyping, which will facilitate the application of genomic information and DNA marker technologies for improvement and breeding of wheat, barley and oat varieties.

“It is crucial that Congress is aware of the necessity for continued, stable investment in wheat research,” said NWIC Chairman Dr. Paul Murphy, from North Carolina University. “The next decade holds tremendous promise based on emerging technologies that were not possible even five or ten years ago. This is a wonderful time to be a wheat researcher because we are developing technology to improve efficiency, address vulnerabilities such as disease, insect and abiotic stresses, and maintaining the quality of wheat we need to help feed the world.”

The NWIC believes the benefits of increased research investment will cascade from farmers to the world’s millers, bakers, brewers and consumers.

Recently, the USDA has also made a case for agriculture research funding. As reported in Agri-Pulse © on March 16, the leaders of USDA's research agencies told lawmakers on the House Agriculture Appropriations panel why federal investment in agricultural research is critical to protecting the national food system and supporting American producers. [Read the full story from Agri-Pulse here.](#)

## 6. Wheat Industry News

- **Daunting Wheat Situation.** “Even bakers benefiting from wheat flour prices the lowest most of them have ever experienced ought to be feeling a few qualms about the future of the wheat economy. After all, wheat prices first dipped to the lowest levels in years some months ago, causing the dramatic fall in flour costs, but also responsible for equally sharp falls in farmer income.” – Morton Sosland, Editor-in-Chief, *Milling & Baking News*, March 15, 2016.
- **New Tool to Fight Food Insecurity.** The “Group on Earth Observations” has launched an Early Warning Crop Monitor. Developed by the GEO Global Agricultural Monitoring Initiative (GEOGLAM), initiated by the G-20 Agriculture Ministers, the Early Warning Crop Monitor (ECWM) provides consensus reports on crop conditions in countries at risk of food insecurity in Central and South America, Africa, the Middle East, and Central and East Asia. The March EWCM bulletin reports that countries in Southeast Asia and Southern Africa face severe droughts attributed to the on-going El Niño. Visit [www.geoglam-crop-monitor.org/](http://www.geoglam-crop-monitor.org/) to learn more.
- **BNSF Cuts Shipping Rates for Wheat.** Because of cheaper diesel fuel and the lower shipping demand along BNSF Railway routes, the railroad announced a \$100 per-car reduction for wheat shipments during a meeting with the Montana Grain Growers Association and the Montana Farm Bureau Federation, the *Billings Gazette* reported this week. The reduction is favorable news for farmers who have held onto wheat in hopes that overseas demand for U.S. grain would improve. [Click here for more information.](#)
- **Wheat Marketing Center Advanced Asian Technology Course.** This hands-on course is scheduled for June 6 to 10, 2016. For more information, please visit <http://wmcinc.org>.
- **IGP Institute Announces Two Milling Courses.** The first course, Managing Mill Balance and Control, scheduled for June 7 to 10, 2016, will focus on the front half of the milling process with optimizing breaks and purifiers. The second course, Milling Practices to Improve Flour Quality, scheduled for June 14 to 17, 2016, will focus on the milling process and flour quality management. Course instructor Shawn Thiele encourages participants to stay for both courses as each covers important components in the milling process. For more information and to register visit [www.igpevents.grains.ksu.edu](http://www.igpevents.grains.ksu.edu).
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