

The background of the slide is a composite image. The top half shows a vast landscape of rolling, golden-brown hills under a blue sky with light clouds. The bottom half is a close-up, slightly blurred view of a field of ripe, golden wheat stalks.

Turkish Flour Industrialists' Federation International Congress  
March 8, 2013

# The Corn-Wheat Connection

Alan Tracy

President



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# USW Mission & Activities

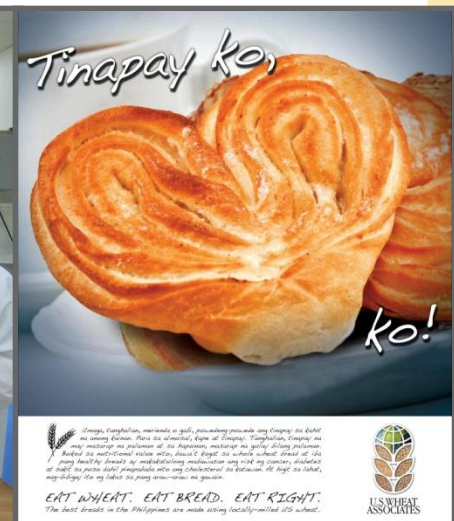
“Develop, maintain, and expand international markets to enhance the profitability of U.S. wheat producers and their customers.”



**Trade Servicing**



**Technical Assistance**



**Promotion**



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# U.S. Wheat to the World

- 17 offices
- 61 experts overseas
- 100+ countries
- In partnership with:
  - Producers
  - Commissions
  - USDA/Foreign Agricultural Service
  - Educational organizations
  - Exporters



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# Why Corn Matters to Wheat

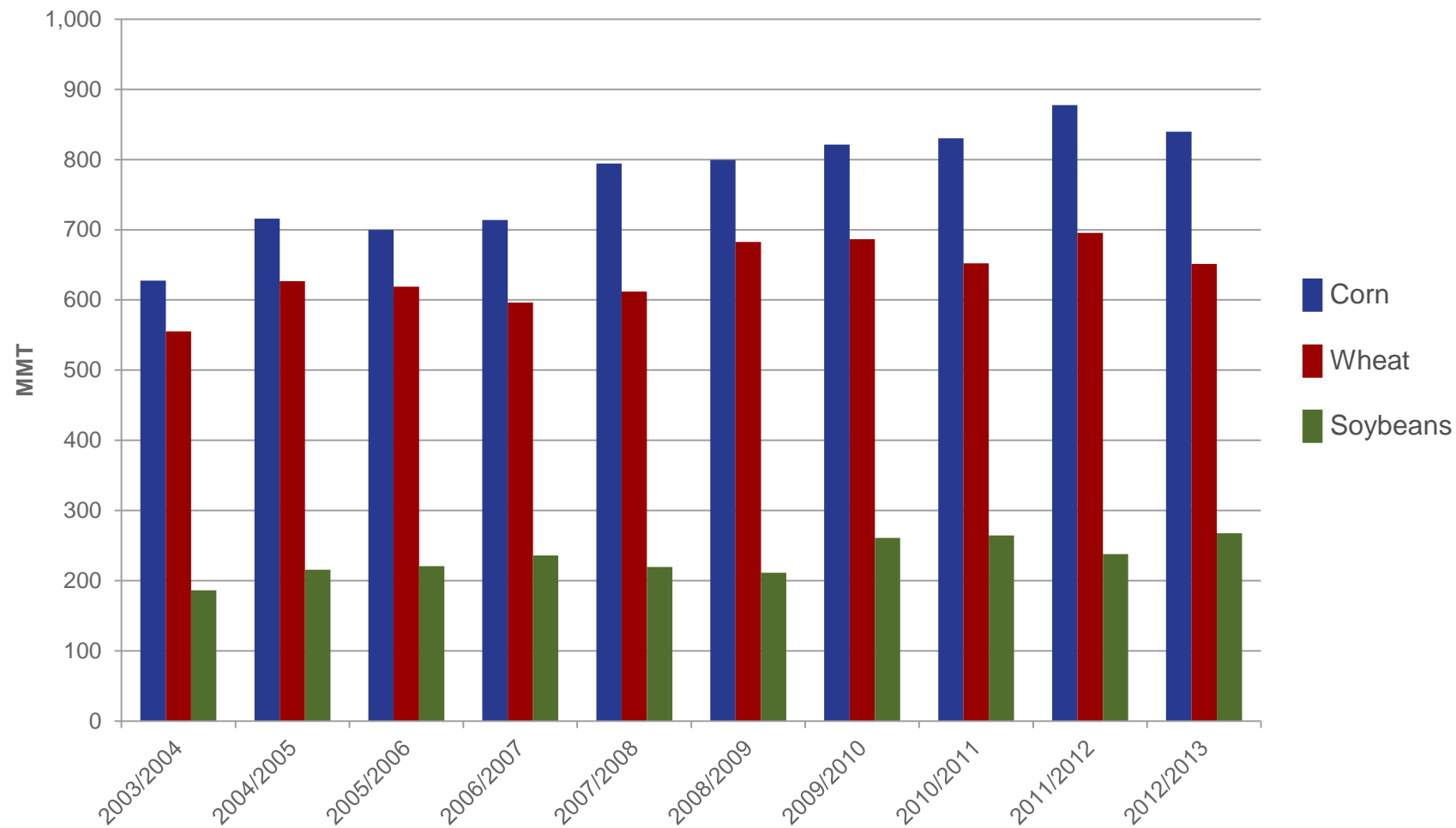
- Competition for Acreage
- Wheat Competes with Corn Usage
- Price Volatility
- Is There an Alternate Future?



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# Global Production

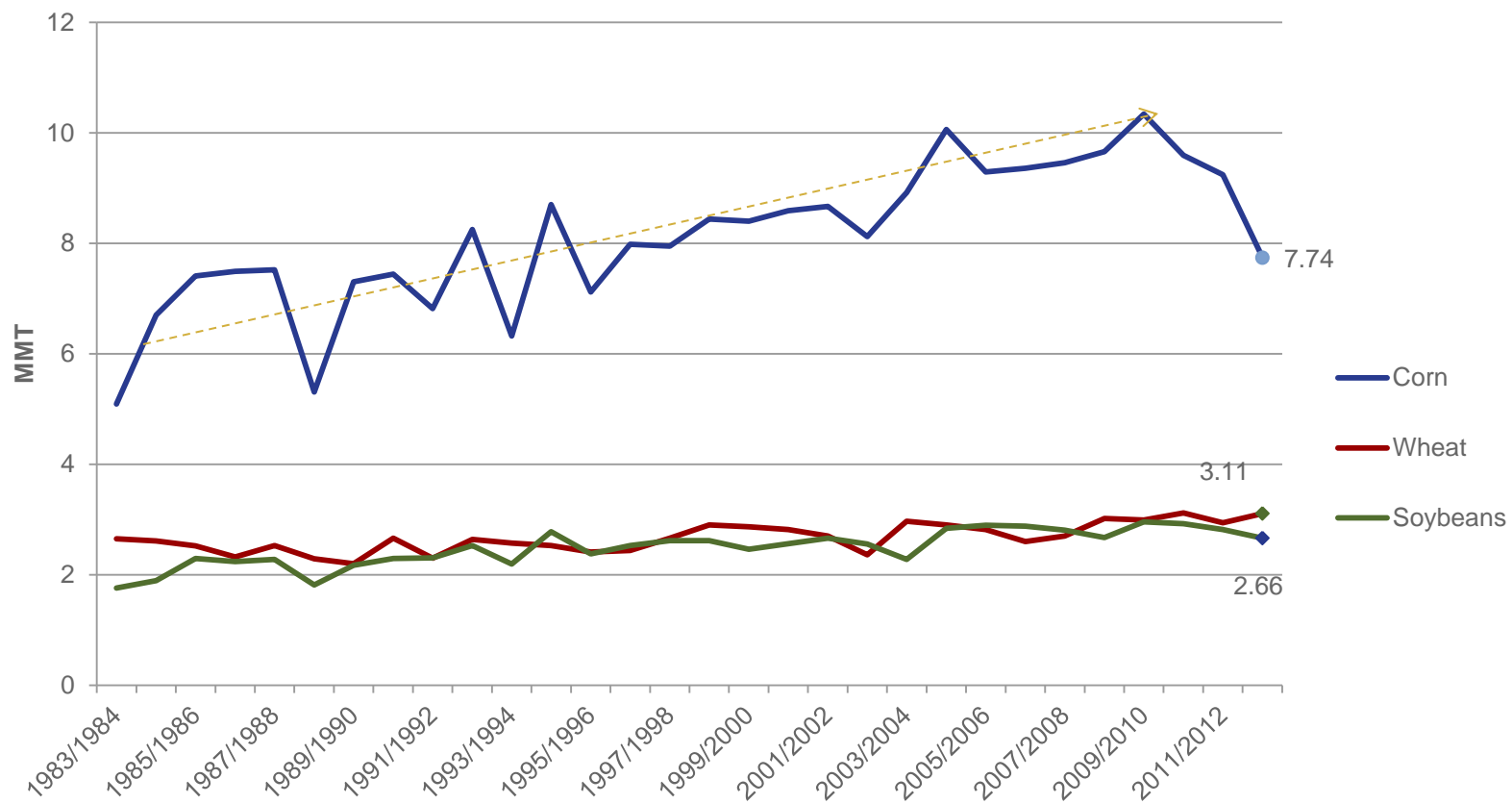


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# Productivity Increasing But at Different Rates

## U.S. Yields

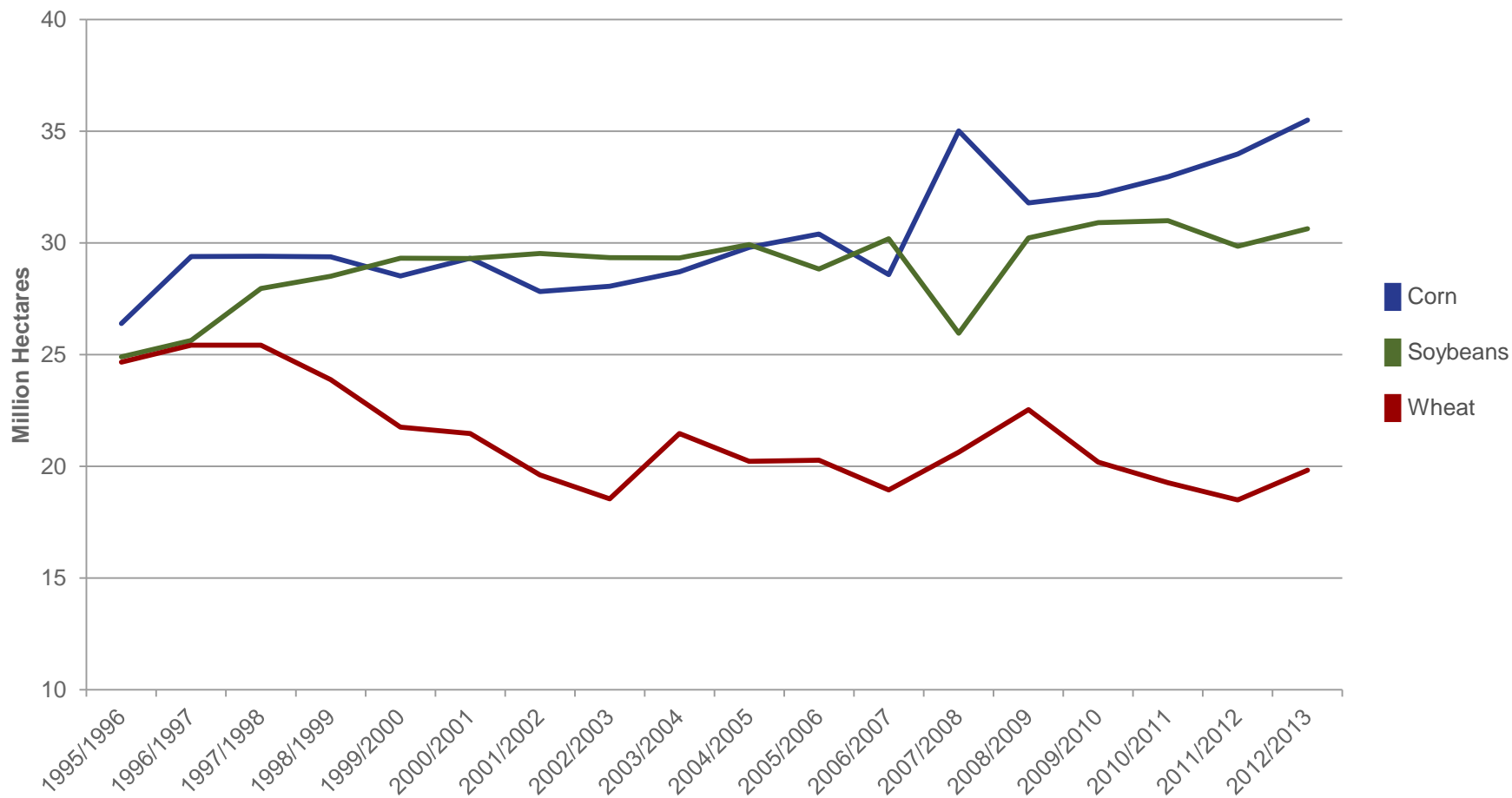


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# Acreage Competition Increasing

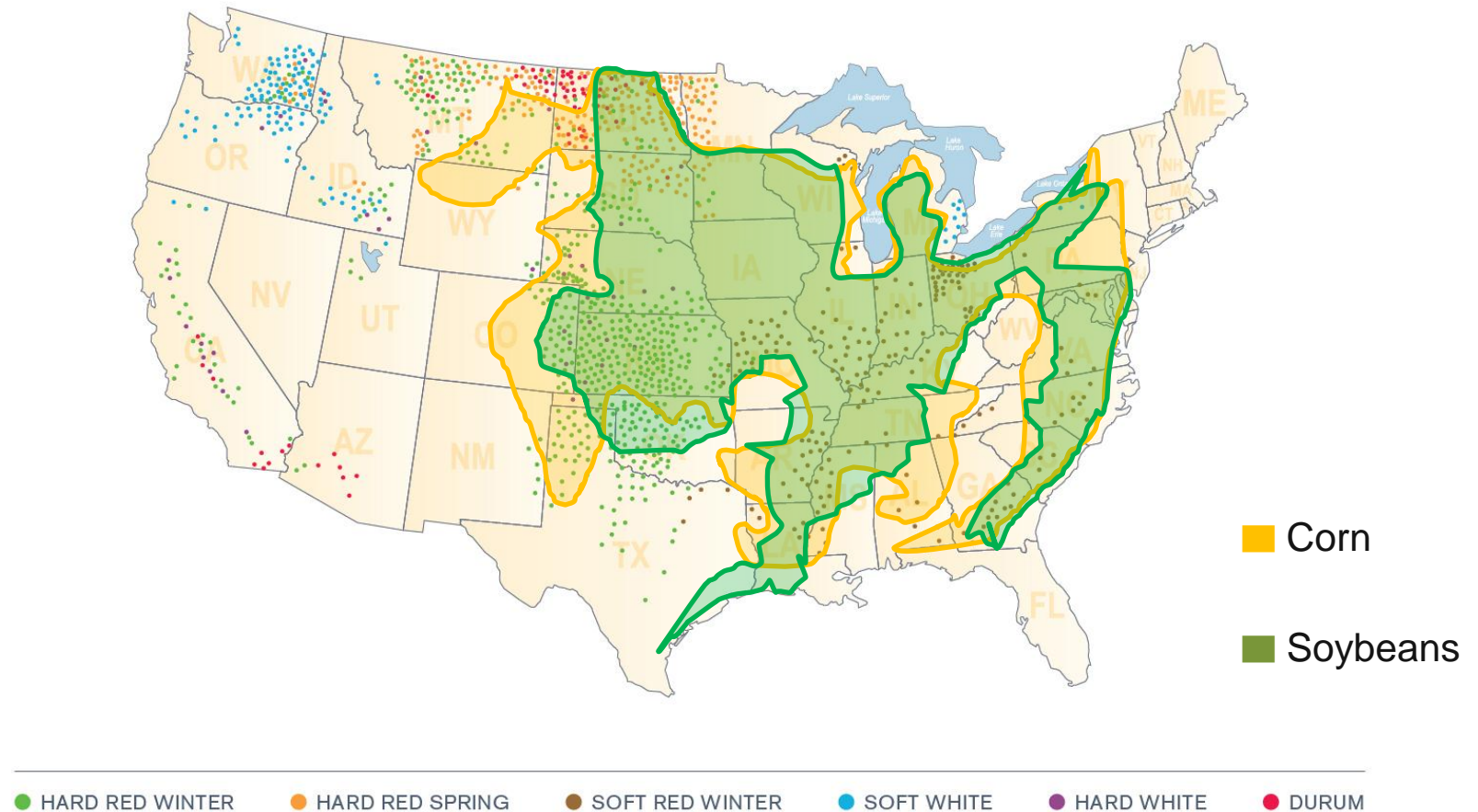
## U.S. Harvested Area



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# Fight for Acres



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# Farmer's Choice

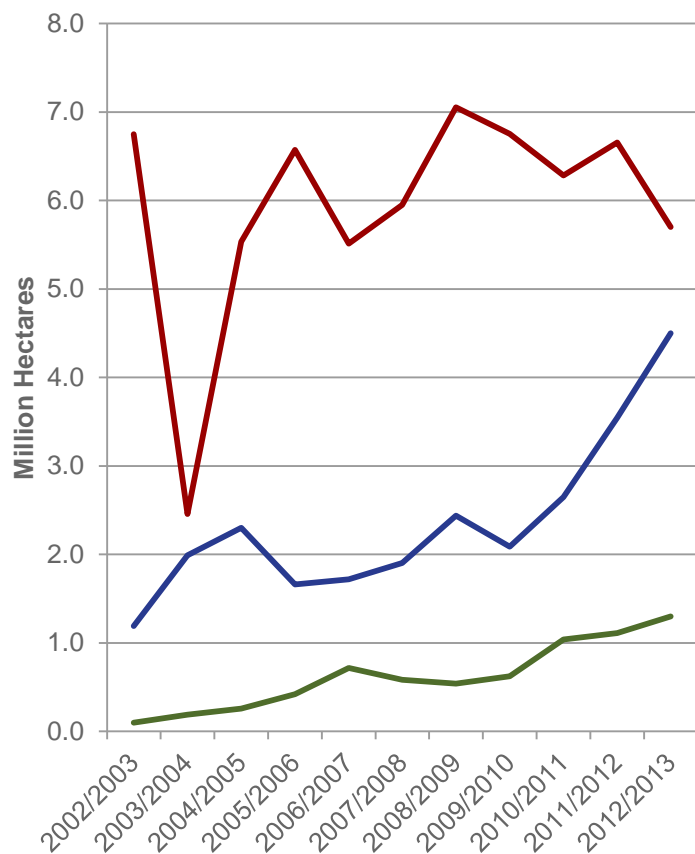


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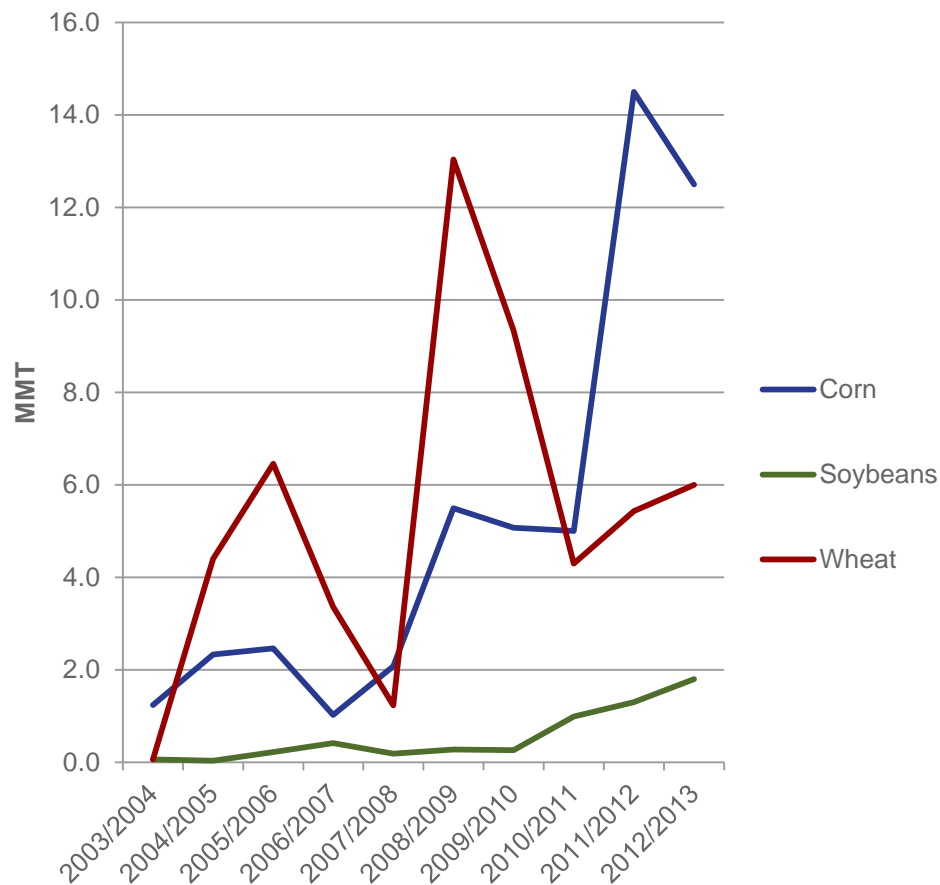
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# Acreage Competition – Not Just in U.S.

## Ukrainian Harvested Area



## Ukrainian Exports

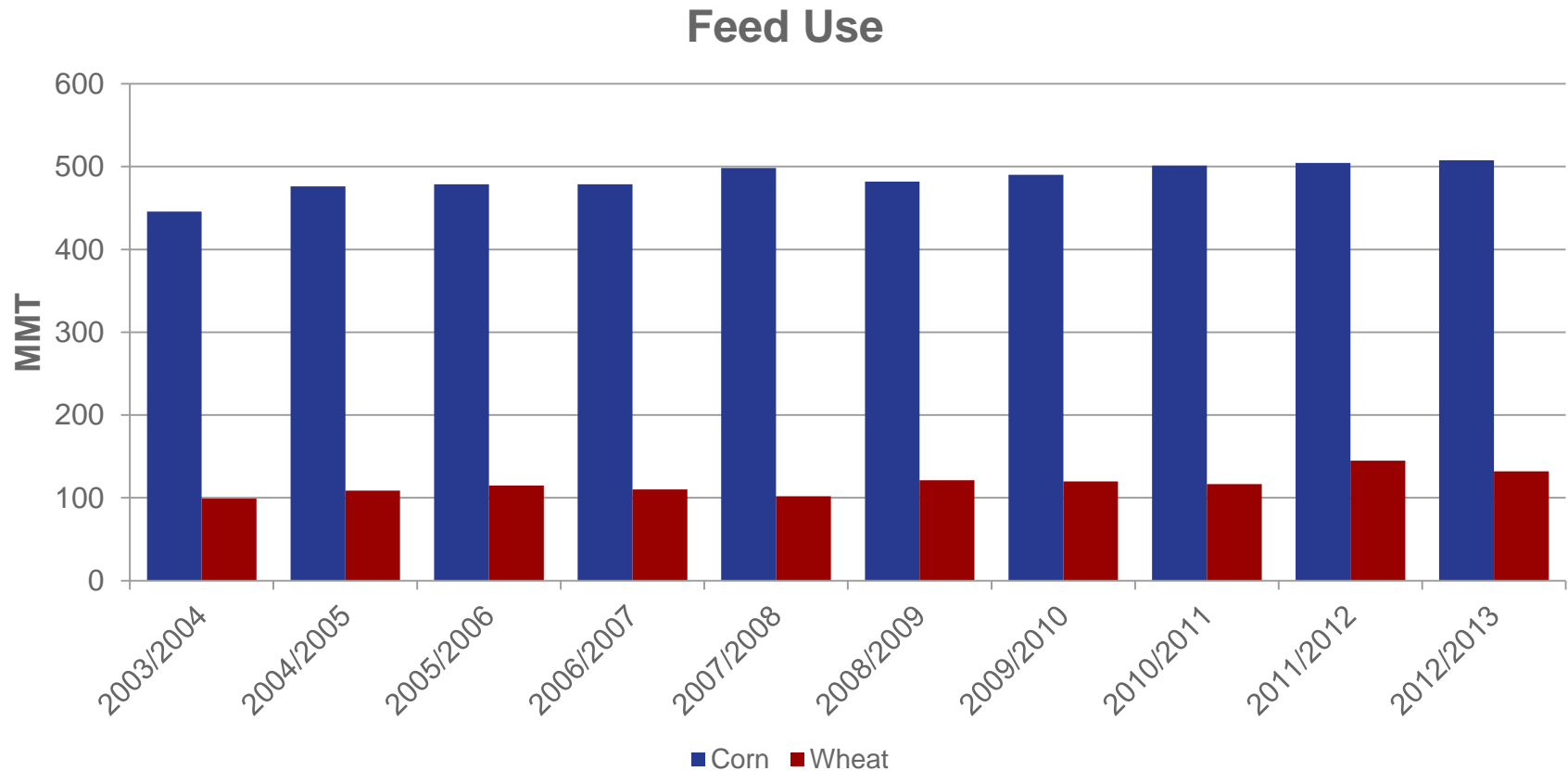


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# Wheat – Not Just a Food Crop

- Number two feed grain in the world behind corn

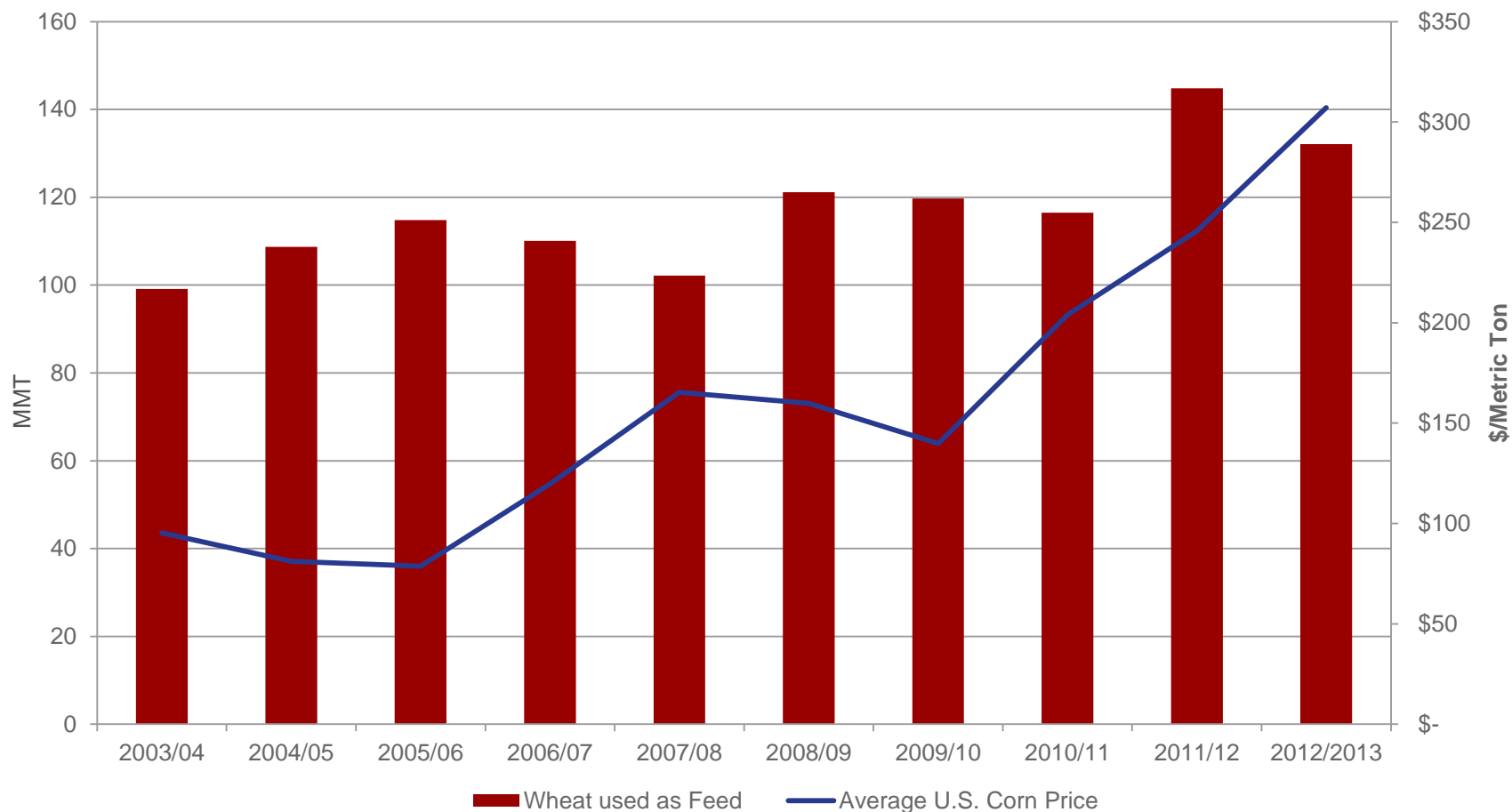


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# More Wheat for Feed with Higher Corn Prices

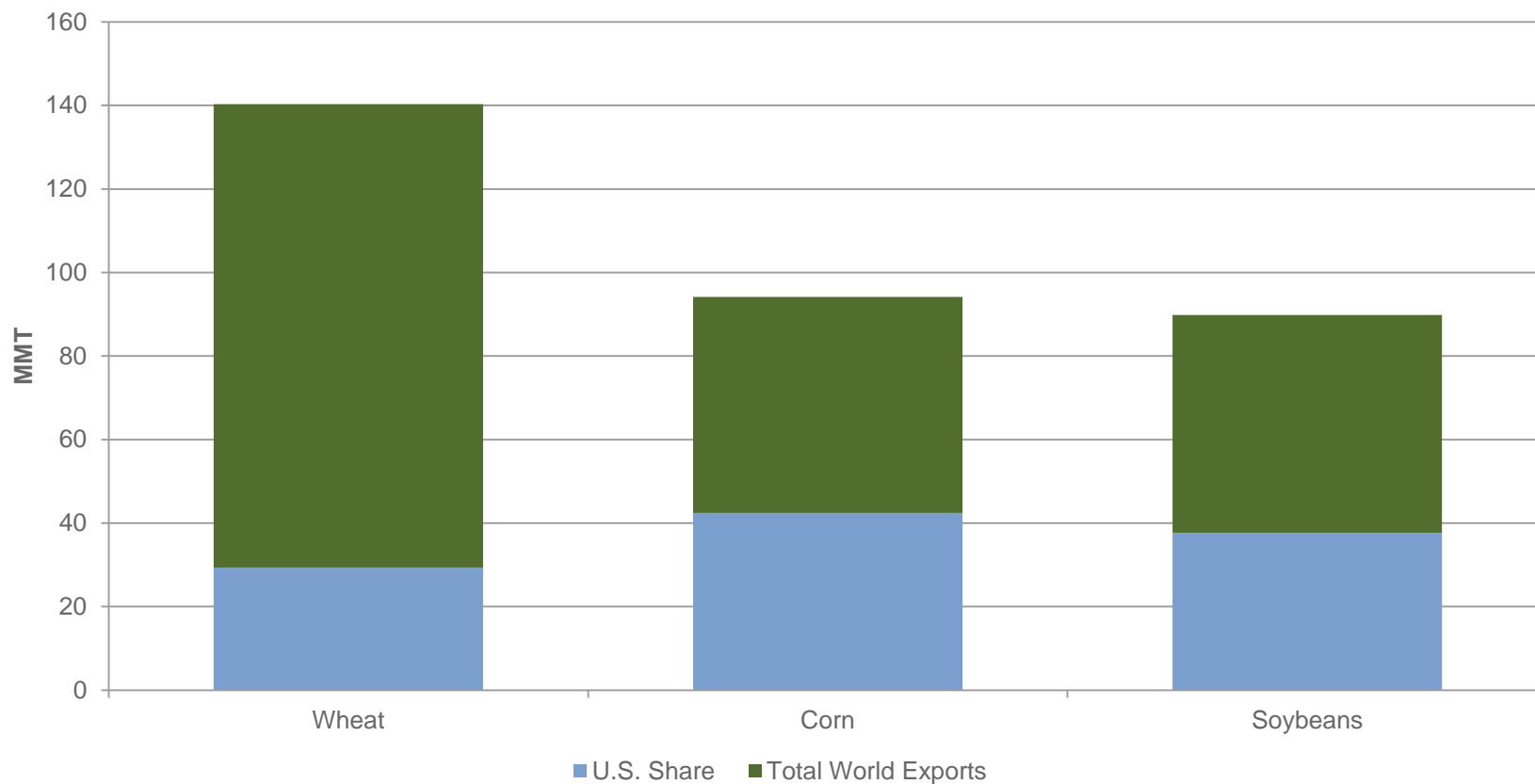


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# World Exports and U.S. Share

5-year average (2008/09 – 2012/13)

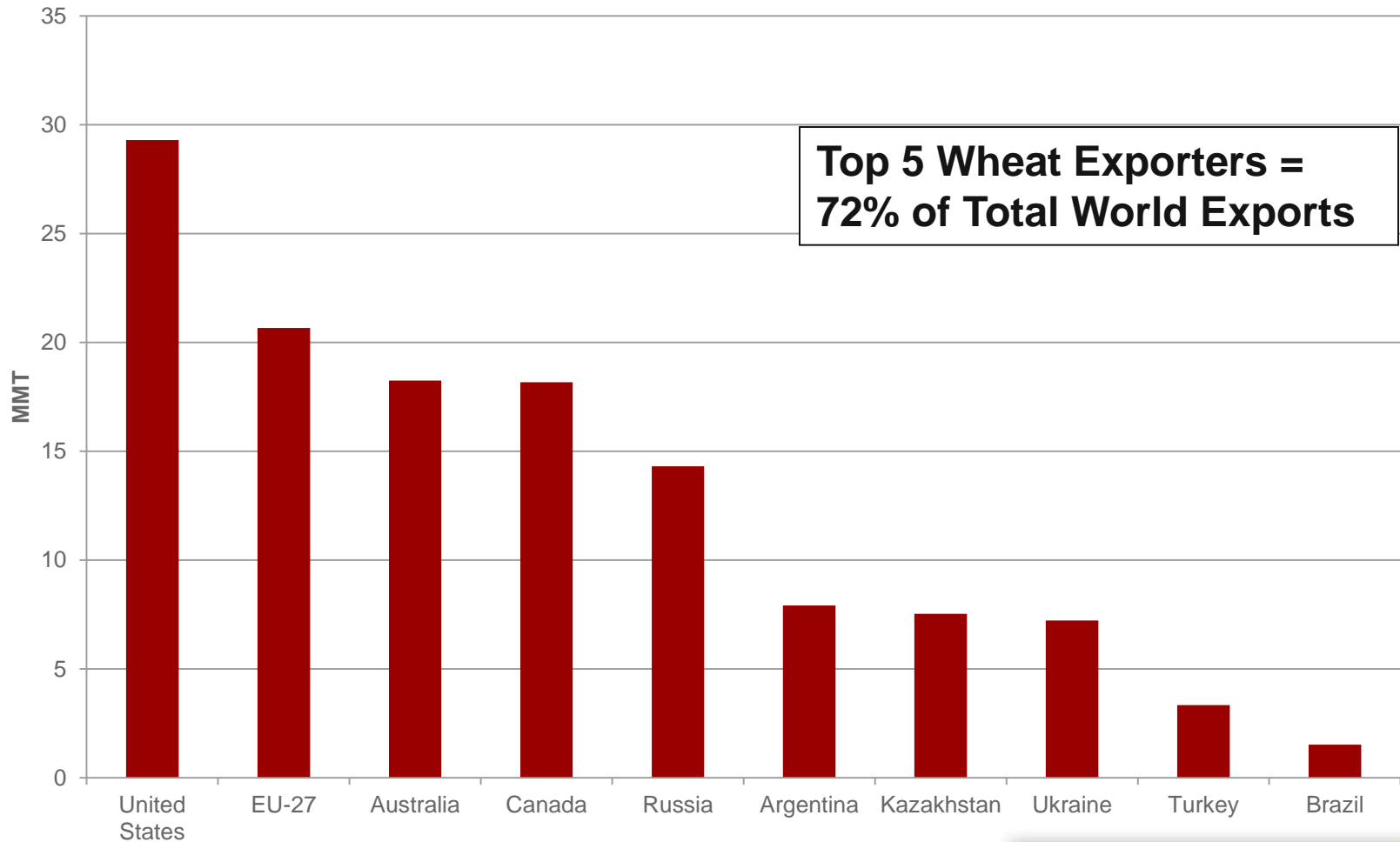


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# Top Wheat Exporters

5-year Average (2008/09 – 2012/13)



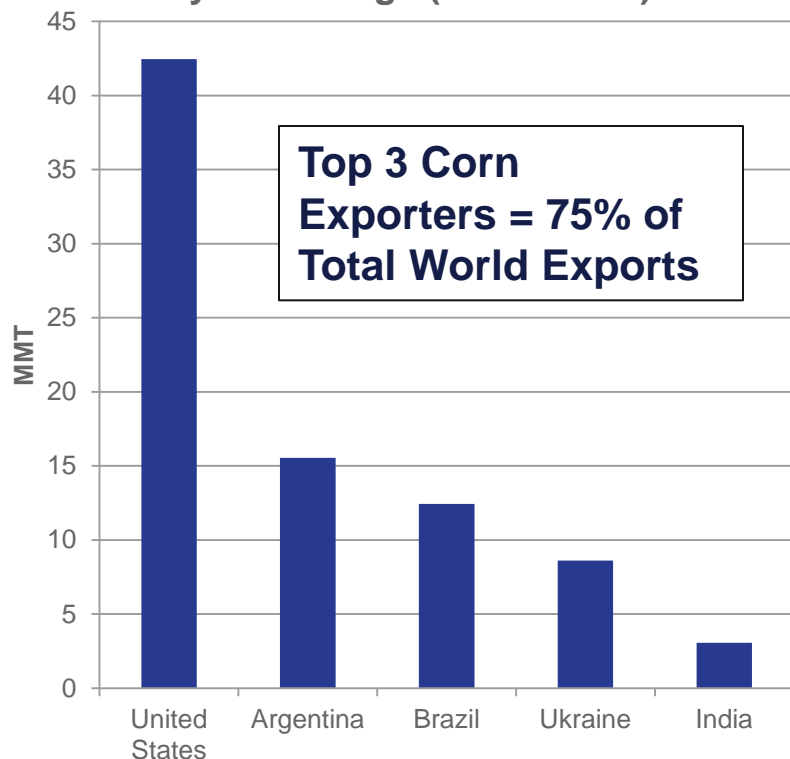
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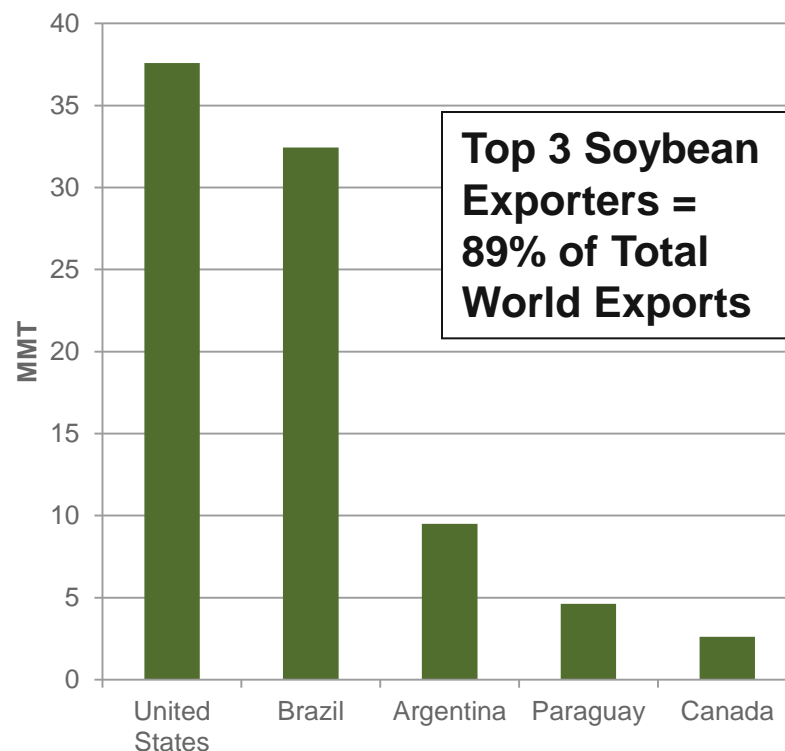


# Corn and Soybean Exporters More Concentrated

**Top Corn Exporters**  
5-year average (08/09-12/13)



**Top Soybean Exporters**  
5-year average (08/09-12/13)

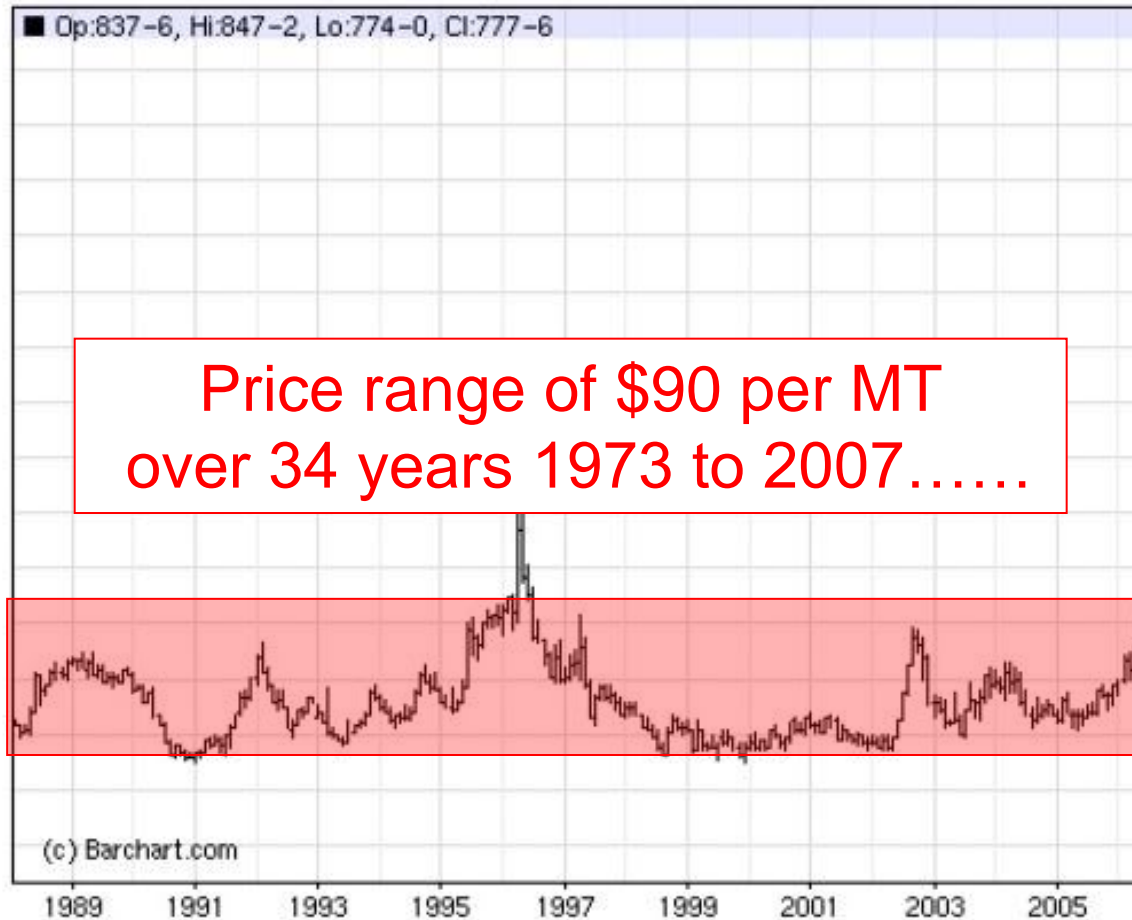


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# Price Volatility Continues to Increase

KE - KCBT Red Wheat - Monthly Nearest OHLC Chart



+ \$310

+ \$200

+ \$110

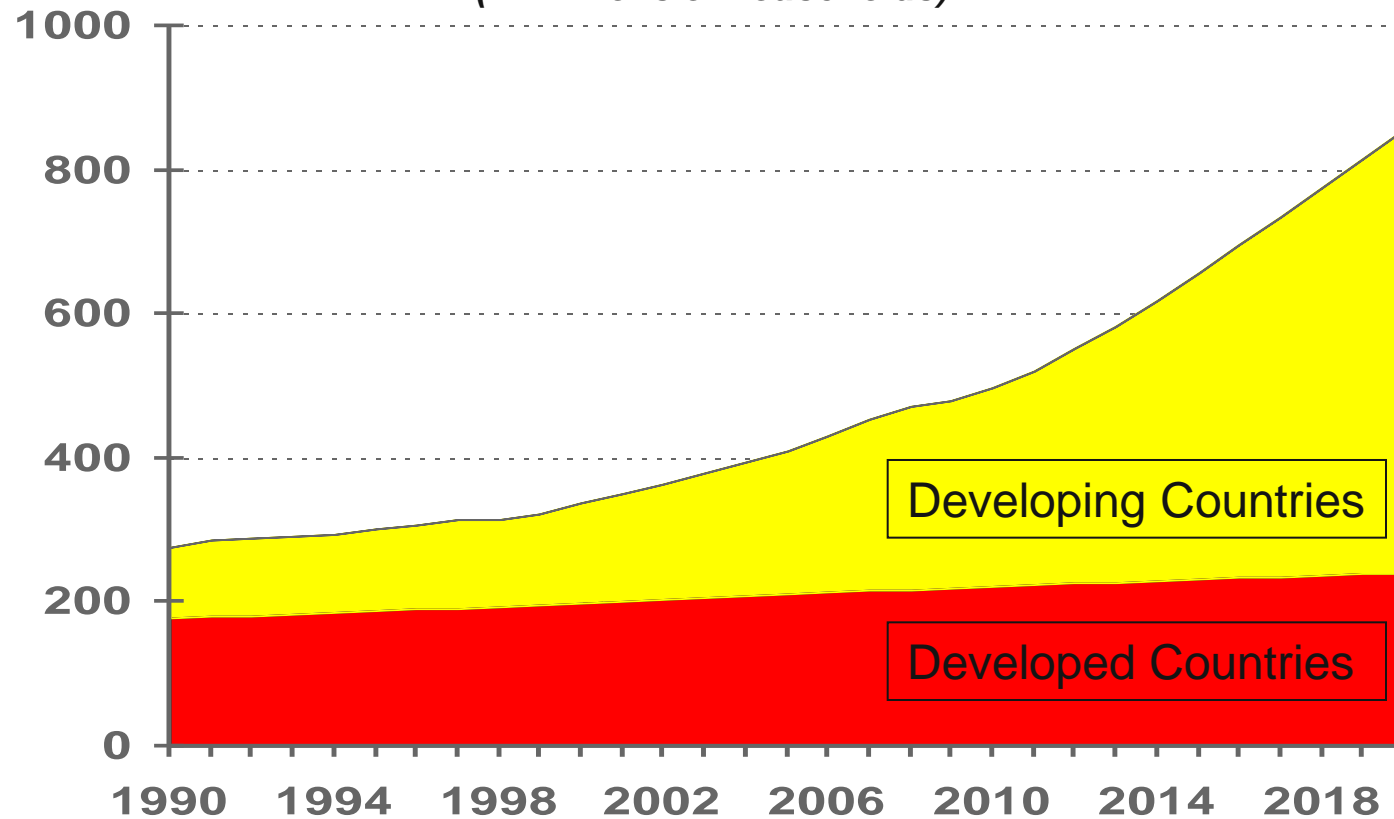
- \$295

- \$150

# What is Driving Demand?

- Global Demand for Feed Grains Stronger as Middle Incomes Rise

***Non-U.S. Households w/ Real PPP Incomes Greater Than \$20,000 a Year  
(in millions of households)***

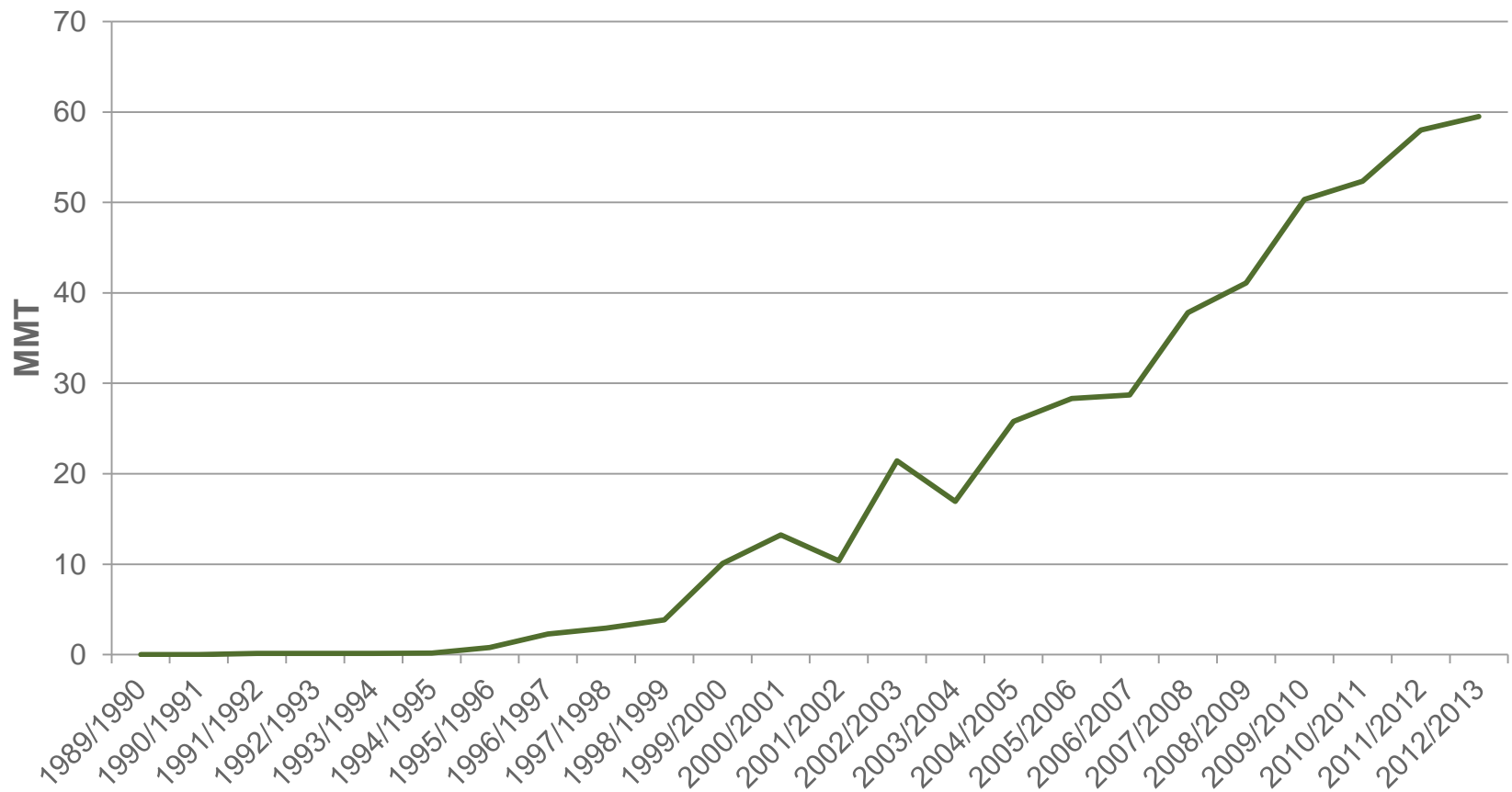


***Source: Global Insight's Global Consumer Markets data as analyzed by OGA/FAS/USDA***



# What is Driving Demand?

## Huge Increase in Chinese Soybean Imports

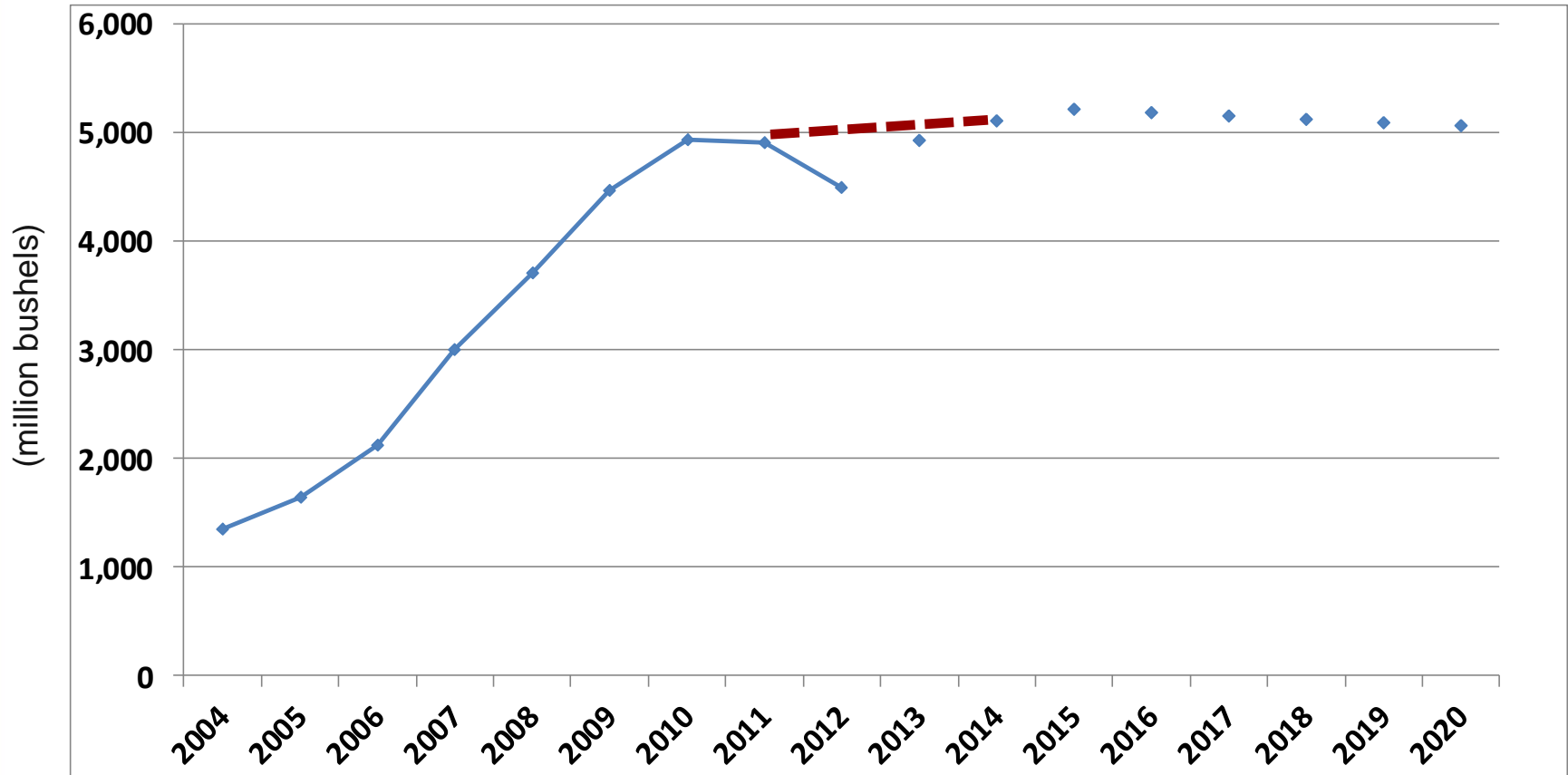


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# What is Driving Demand?

- More U.S. Corn Used for Ethanol



Source: ProExporter

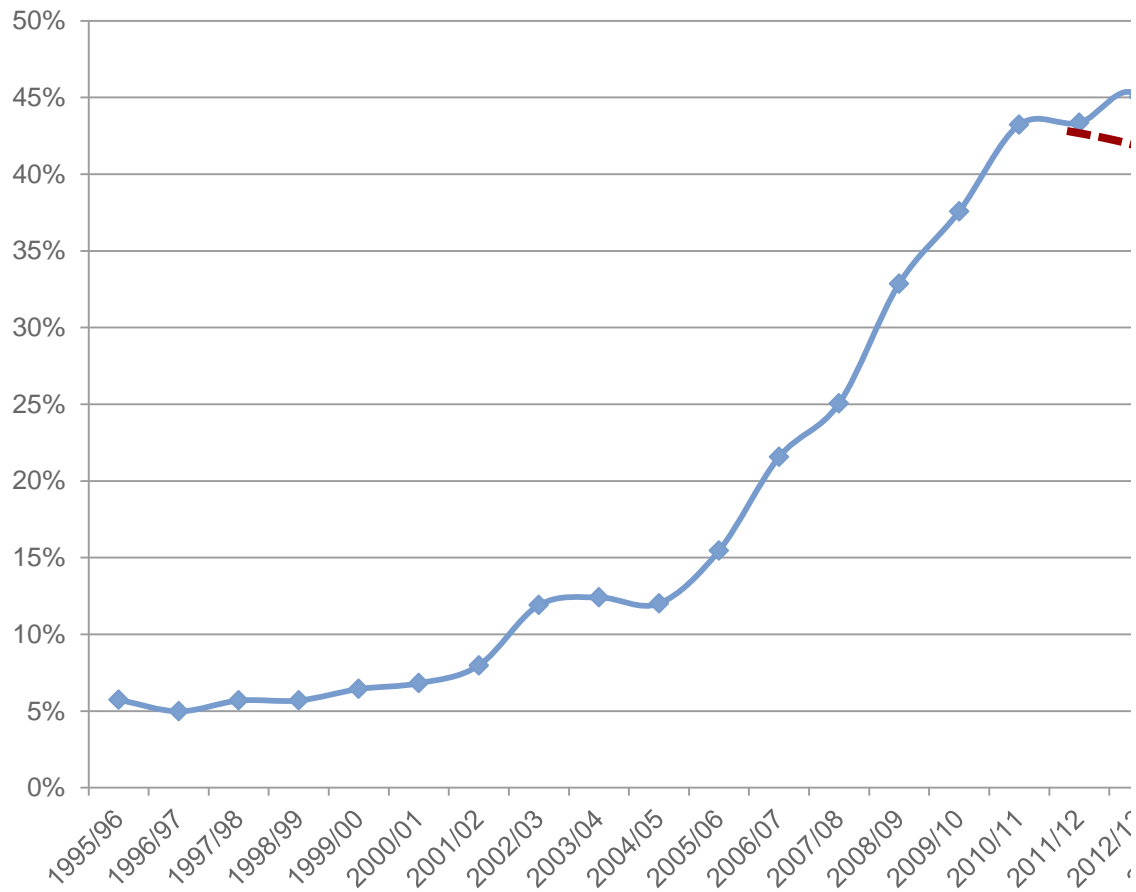


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# What is Driving Demand?

## Ethanol Use as Percent of Corn Production



**Source: USDA Long Term Projections, USDA WASDE, Pro Exporter Network, 2012**



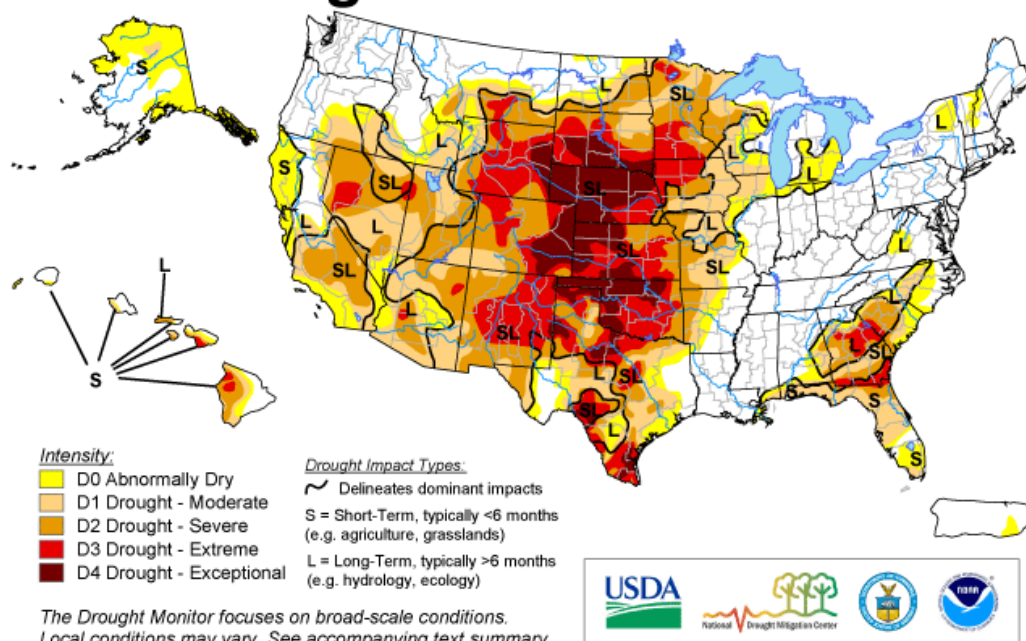
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# ...And Supply?

- Drought Slashed 2012 Corn Crop
- Now, Drought Conditions for Winter Wheat Growth

## **U.S. Drought Monitor** February 19, 2013 Valid 7 a.m. EST



Released Thursday, February 21, 2013

Author: Brian Fuchs, National Drought Mitigation Center



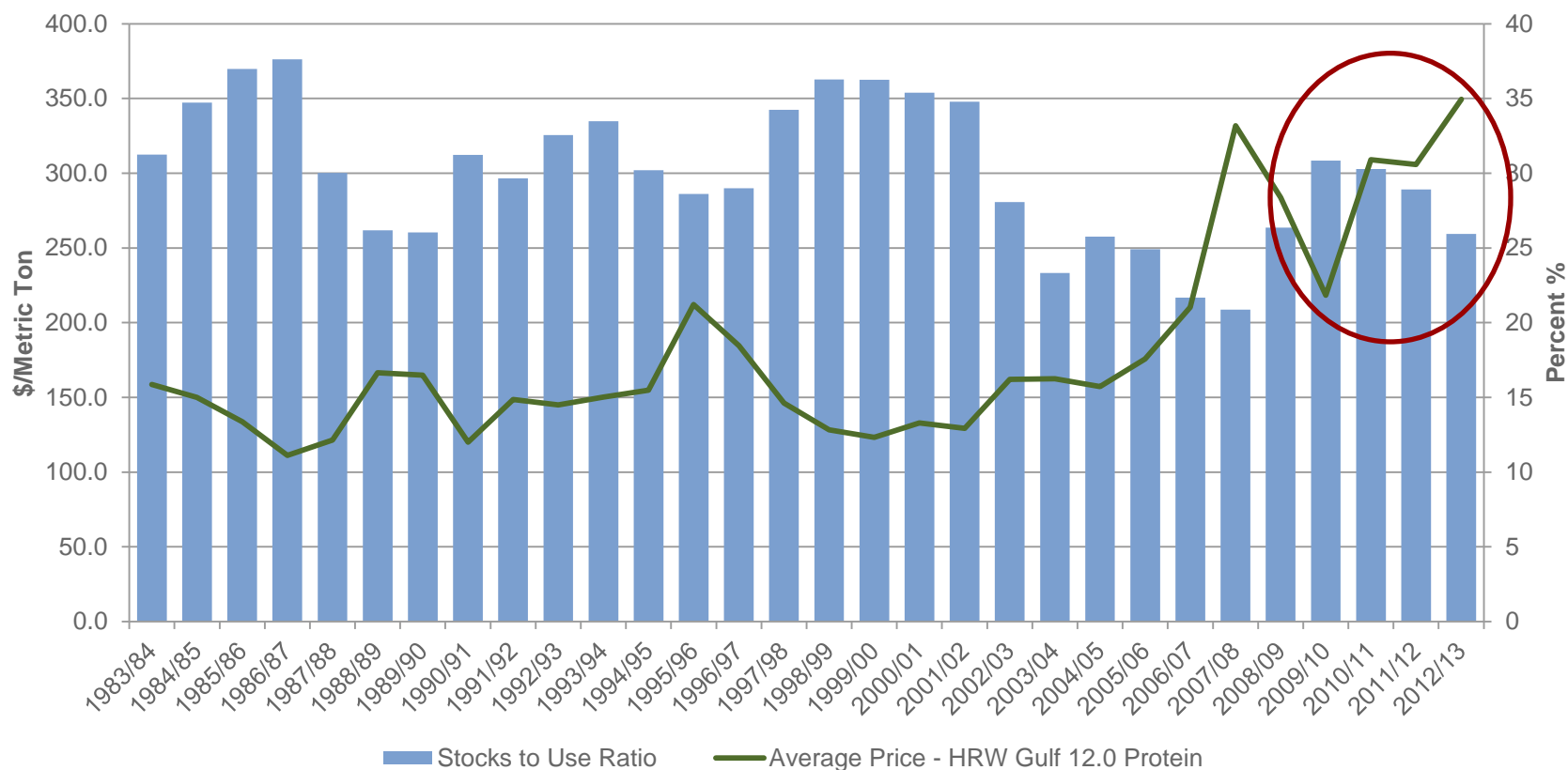
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# The Old Rules Are Changing

- Stocks-to-Use Ratio Predicts Direction, But Not Magnitude of Wheat Price



# The New Rules?

- **Grains Are Fundamentally Interconnected**
  - Especially Corn, Wheat and Soybeans
  - Corn Sets a Price Floor, Regardless of Wheat Supply & Demand
- **Dynamic Price Equilibrium Created By:**
  - Competing and Overlapping Acreage
  - Competing and Overlapping Uses
  - Hedge Fund Focus
- **Corn Matters!**



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# Corn – The Biggest Swing Factor

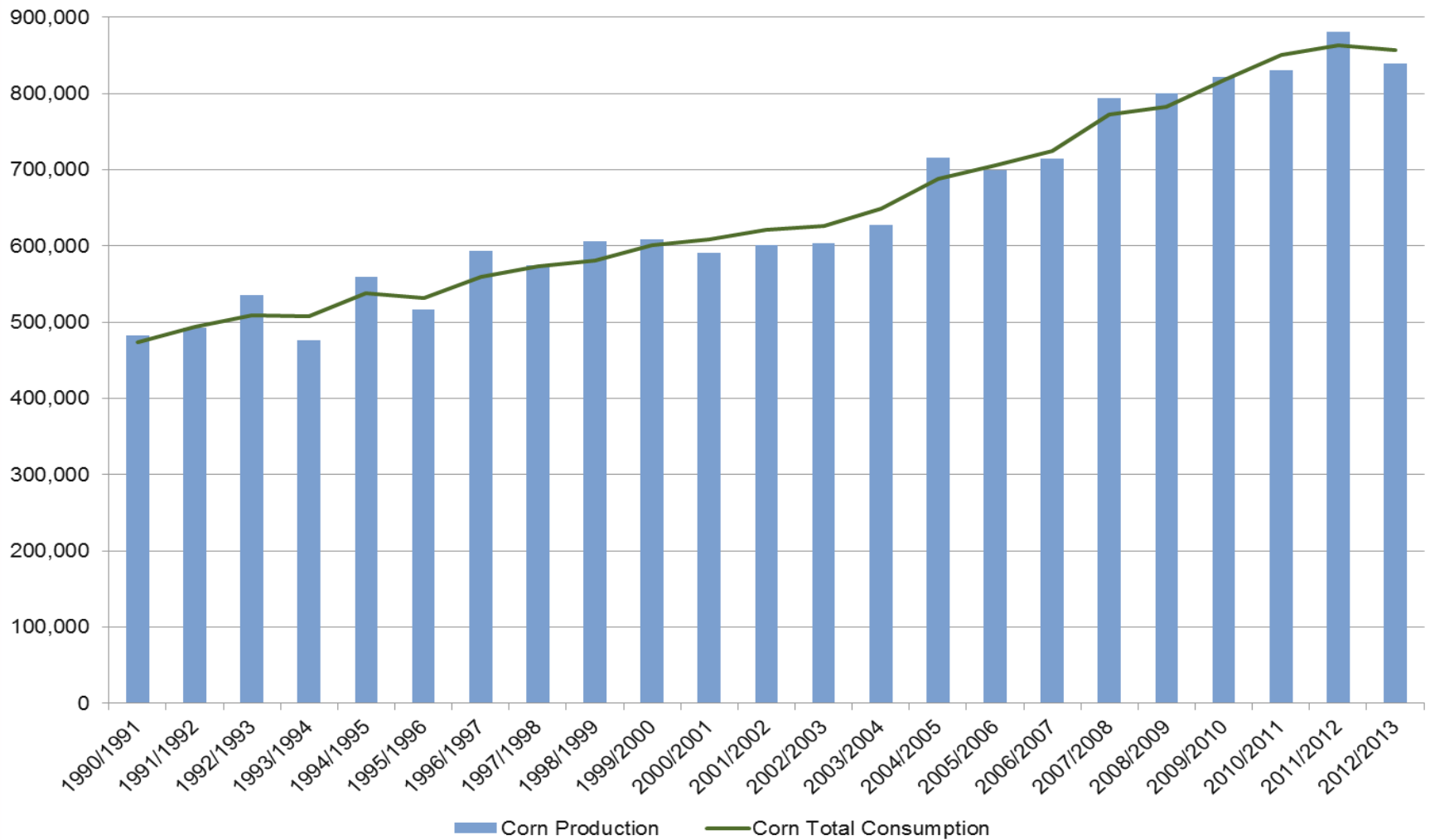
- More Concentrated Production Area
- Greater Production Swings
- Corn Fundamentals Can Affect Wheat Price As Much As Wheat Fundamentals
- Worth Watching for Wheat Buyers!



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# Long Term Demand Growth Versus Productivity Growth





## An Alternate Future

- If use of corn for ethanol tapers off....
- If the rapid growth of soybean imports slows ...
- If biotech adoption continues expanding...
- And, especially, if corn productivity keeps increasing...

***Will prices then stabilize,  
albeit at a higher price level?***



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The background of the slide is a composite image. The top half shows a wide, panoramic view of rolling hills under a blue sky with light clouds. The hills are covered in golden-brown fields, likely wheat, with some small clusters of trees and buildings visible in the distance. The bottom half of the slide is a close-up, detailed view of a field of golden wheat stalks, showing the texture of the grain.

# Thank You!

**Alan Tracy**

President



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# USW Resources

- **Price Reports:**  
<http://www.uswheat.org/reports/prices>
- **Wheat Letter:**  
<http://www.uswheat.org/newsEvents/wheatLetter>
- **USW Home Page:**  
<http://www.uswheat.org>
- **Email:**  
[info@uswheat.org](mailto:info@uswheat.org)



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