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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." 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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Crop Quality Information: USW Crop Quality Report (<http://bit.ly/ACVDIp>)

1. Talking Trade During Annual Crop Quality Seminar Tour

By Tyler Jameson, USW Assistant Director of Policy

Face-to-face discussion is one of the most effective ways U.S. Wheat Associates (USW) works with our customers. For more than 40 years, USW has conducted dozens of Crop Quality Seminars around the world to keep customers informed about the quality characteristics for each year's U.S. wheat crop. This year, I participated in the European crop quality tour, which included 10 seminars in eight countries throughout Europe in 17 days.

On what seemed like a whirlwind tour, led by USW European colleagues based in Rotterdam, we met with millers, traders, bakers and other allied industry participants. At each stop, Regional Director Goris van Lit covered the world supply and demand situation as well as sustainability of U.S. wheat production.

Bert D'Appolonia, professor emeritus of cereal science at North Dakota State University, and Rutger Koekoek, USW marketing specialist, discussed hard red spring (HRS), durum and soft red winter (SRW) quality characteristics, including grade factors, protein levels, flour extraction rates, dough stability, baking loaf volume and much more. I provided perspective on how market opportunities for European buyers and U.S. wheat producers are affected by our shared and individual trade policy issues and opportunities.

Europe is the eighth largest market for U.S. wheat (based on a 10-year average). The region imported 1.2 million metric tons (MMT), mostly HRS and durum, in marketing year 2011/12. There has also been increased interest in SRW, and a 572,000 MT duty-free tariff rate quota (TRQ) allotment to the United States in 2012 makes it even more attractive.

The European market is quite diverse, and each country has different quality demands and needs. One near-universal issue among all EU member states, however, is trade policy considerations. This year, in particular, I had plenty to discuss with importers. At each stop, I found U.S. wheat customers interested in policy issues ranging from TRQs to biotechnology to the [World Trade Organization](#) (WTO).

With potential U.S.-EU free trade agreement (FTA) negotiations set to start next year, it was valuable to hear directly from our customers on what issues they see as priorities. A U.S.-EU FTA could provide market access gains for U.S. wheat producers while lowering trade barriers and costs for our EU customers.

It was a pleasure to be able to participate in this year's European crop quality seminars and hear firsthand from U.S. wheat importers. Annual events like these conducted around the world help further demonstrate the reliability of the high quality wheat supply from the United States.

Jameson posted regular updates and photos from the European crop quality tour on the USW Facebook page. Check them out at <http://www.facebook.com/uswheat>.

2. Connecting Farmers and Customers in Latin America

By Casey Chumrau, USW Market Analyst

An old adage says that one person can only truly understand another person's experience by "walking a mile in their shoes." In that spirit, the 2012 Latin America board team flew more than 5,000 miles (8,047 kilometers) to gain a better understanding of the wheat markets in three Latin American countries.

In addition to myself, the board team included Chris Kolstad, hard red winter (HRW), HRS and durum farmer from Ledger, MT; Kenneth Failes, HRW wheat farmer and crop consultant from Cherokee, OK; and Eric Wilkey, president of Arizona Grain in Casa Grande, AZ, which merchandises Desert Durum® wheat.

During the 13-day trip, we met with representatives from milling companies, milling associations, USDA Foreign Agricultural Service (FAS) and other industry experts in Chile, Peru and Mexico. USW board team trips provide an opportunity for U.S. wheat producers to personally connect with customers to

express ideas or concerns and for producers to thank customers for their business. In addition, board team trips are designed so board members and state wheat commissions can review the work of USW offices overseas and to learn what role wheat plays in these markets.

Armed with plenty of background information from a full day of briefings in Washington, DC, we met USW Assistant Regional Director of South America Osvaldo Seco at our first stop in Santiago, Chile. Together, we visited several prominent milling companies, including San Cristóbal, La Estampa and Azapa.

Chile is a well-developed wheat market with one of the highest consumption rates in the region at 130 kg (287 pounds) per capita. The majority of the wheat is consumed as bread, more than 85 percent of which is purchased daily. In contrast, only 3 percent is bought as packaged, pre-sliced pan bread. The bread consumption level has proven inelastic and, in fact, hard economic times often increase the consumption of bread and wheat products.

The next stop on the trip was Lima, Peru, where we met USW South American Regional Vice President Alvaro de la Fuente. The team's first meeting was with Alejandro Daly, the executive president of the Latin American Millers Association. The team had a dynamic discussion with Daly about the issues facing the region's milling industry. He echoed a message we heard in other meetings that higher wheat prices are not as much of a problem as extreme price volatility. As a result, he emphasized that millers throughout the region, similar to others around the world, are working tirelessly to limit their exposure to price risk.

The team also met with several large pasta producers in Lima, including Anita Foods – a fast growing company that currently accounts for 23 percent of the Peruvian pasta market – and Alicorp – the largest food company in Peru which buys 850,000 MT of wheat per year. Overall, Peru is the fourth largest pasta consumer in South America at 11.1 kg (24.5 pounds) per capita.

After meeting with representatives from some of the largest and most significant players in the milling industry in Chile and Peru, the clearest message was that even though quality is increasingly important, price remains the dominant decision factor for buyers in the South American wheat market. For example, despite Argentina's geographic advantage, the United States has enjoyed the largest market share in Chile four of the last five years and in Peru three of the last five years. But, sales to the region thus far in 2012/13 have fallen short of the previous two years because of Argentina's relatively low prices. The millers still expressed a strong preference for U.S. wheat due to its quality, consistency and cleanliness compared to Argentinian wheat, and millers are watching closely as U.S. and world wheat prices converge. With Argentina's current production and logistical issues, South American customers also benefit from the reliability of U.S. wheat transactions.

The final country we visited was Mexico, the third largest U.S. wheat market in the last five years, where we connected with Regional Vice President Mitch Skalicky, Assistant Regional Director Chad Weigand and Technical Specialist Marcelo Mitre of the USW Mexican, Central American and Caribbean Regional Office in Mexico City. Our trade relationship with Mexico is important for U.S. producers as the United States accounts for 77 percent of Mexico's 3.0 to 4.0 MMT annual wheat imports.

One of the most poignant moments of the trip was a visit to Grupo Altex in Mexico City. We were shown a warm welcome by, among others, Armando Rosales, director of international purchases and José Luis Gutiérrez, director of research and development. Altex is the second largest flour mill in Mexico with nearly 600,000 MT of yearly wheat imports and a milling capacity of 2,885 MT/day in its eight mills. Last spring, eight Altex employees participated in the HRW Crop Quality Tour. On that trip, both Rosales and Gutiérrez visited the Failes farm in north central Oklahoma. This meeting at Altex brought the experience full circle for Failes. The trio stood in his fields in May looking at the maturing wheat crop and in November they stood in an Altex mill watching what becomes of the wheat when it moves down the supply chain. Failes said afterward, “That meeting alone made the whole trip worth it.”

The team ended the trip by attending the three-day Latin American Millers Conference (ALIM) in Mérida, Mexico. The conference was an excellent conclusion to the trip because the team reconnected with many people we had just met and heard even more about the issues facing the milling industry throughout Latin America.

Overall, the team members were impressed with what they observed on this trip. Each also gained a better understanding of the opportunities and challenges in these three Latin American wheat markets. The message from millers was that while price is the leading factor in purchasing decisions, consistent quality is essential to their business’ success. It is clear that the excellent relationship between the USW overseas offices and the sophisticated Latin American companies is benefiting both U.S. producers and the Latin American wheat industry.

See images from our trip at <http://www.facebook.com/uswheat>.

3. Study Results Show Multiple Benefits of Monetization

U.S. wheat producers are committed to U.S. global food assistance programs that play an important role in feeding the world’s neediest people. USW’s farmer directors support both in-kind food aid donations as well as “monetization” — the process by which commodities are sold in a food-deficit country for funds that support development activities. [A new report](#) by Informa Economics found that monetization not only supplies necessary development funds for recipient countries, but also generates multiple in-country benefits beyond just revenue.

The study was commissioned by the [Alliance for Global Food Security](#), a group of private voluntary organizations (PVOs) and cooperatives that are engaged in food aid, agriculture, nutrition and food security programs in more than 100 developing countries.

About 85 percent of food aid commodities are directly distributed overseas, while the remaining 15 percent are “monetized.” Both program types are planned in advance and approved by the U.S. Agency for International Development (USAID) or USDA.

Monetization has a double benefit in a food-insecure country – providing a commodity that is currently in short supply and generating funds to carry out programs that improve long-term food security and economic development. The Informa study found that this combination allows monetization to offer

benefits beyond cost recovery (i.e., receiving as much from the sale of commodities as USDA spent procuring them), such as putting commodities into a recipient country's marketing system to generate other economic activity.

Monetization can also help address constraints presented by access to credit, the need for smaller volumes and a lack of hard currency. Proper design and implementation of monetization programs can also avoid interfering with local commodity production or displacing commercial sales.

The report was presented in a Nov. 28 briefing on Capitol Hill, followed by a panel discussion about the implications of its findings and overall food aid policy. Oklahoma Wheat Commission Executive Director Mike Schulte served on the panel, speaking about food aid policy from a farmer's perspective.

"As a hard red winter wheat producer myself, I am happy to present our perspective on monetization," said Schulte, a fourth generation wheat farmer from Okarche, OK. "This study is important because it illustrates the many benefits of monetization to recipient countries, including for the wheat millers with whom USW works."

Wheat is one of the top commodities given as food aid and historically represents more than 70 percent of all monetized commodities. In programs in Uganda and Mozambique, both studied by Informa, millers were able to purchase wheat in their local currency, which would not be possible without monetization. The study also showed that local wheat production does not meet demand in both countries and imported monetized wheat had no negative impact on local production or commercial import levels.

U.S. wheat producers are proud of their role in feeding the world and are committed to global food assistance. We encourage policies that include the full range of options, such as monetization, to help countries attain lasting and sustainable food security.

4. Scientists Announce Strides Toward Wheat Genome Sequence

Excerpted with permission from the National Association of Wheat Growers

An article published this week in "Nature" magazine described the results of a large, international collaboration to further understand the wheat genome using a "shotgun sequencing approach".

The "shotgun sequencing approach" involved first identifying millions of DNA fragments and then piecing them together to identify nearly 100,000 genes in common wheat. Two-thirds of the genes identified were able to be assigned to the three component genomes of hexaploid wheat.

However, gaps remain in the sequence, and it is not anchored to a genetic map of agronomic traits. The project to create a complete sequence anchored to a map has been underway for some time by an international team of scientists but is not fully funded, which has delayed progress.

"This is an excellent piece of research to identify most of the genes in wheat," said P. Stephen Baenziger, a wheat breeder at the University of Nebraska and the chair of the National Wheat Genomics Committee. "It is a major step forward but also highlights how much further we need to go to fully utilize the wheat

genome for crop improvement. The full sequence is needed so we can know the location of the key genes and how the sequence relates to the genome function.”

The effort announced this week included researchers from the United Kingdom, Germany and the United States. U.S. collaborators included researchers at USDA’s Agricultural Research Service (ARS), Cold Spring Harbor Laboratory, University of California-Davis, Kansas State University and North Dakota State University.

Another of the study’s co-authors, Bikram Gill, who is the director of the Kansas State Wheat Genetics Resource Center, said, “Scientists now have a genetic blueprint of common wheat for many traits, although associating gene sequences with traits will take many more years of work.”

The full paper released this week is available online at <http://bit.ly/Ud5SPM>.

5. Callies Retires After 34 Years at USW, Sydney Promoted

After 34 years working around the world on behalf of U.S. wheat farmers, Rick Callies, USW vice president of marketing programs, has retired effective Dec. 3. USW also promoted Jennifer Sydney to director of programs and planning as she assumes lead responsibility for coordinating team-based activities, customer training programs and special events in the United States.

“Rick has had a long and distinguished career with USW,” USW President Alan Tracy said. “His departure will deprive us of his wealth of knowledge and inimitable sense of humor. He will be missed, but we wish him the best.”

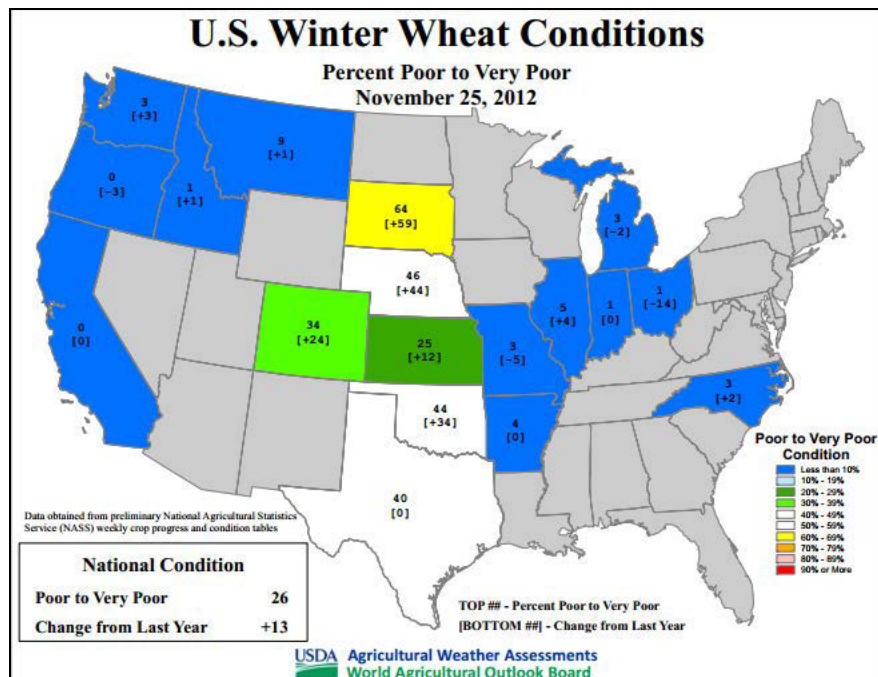
Callies joined Western Wheat Associates, one of the two USW legacy organizations, as a marketing specialist in 1978. He later worked as USW’s assistant regional director for South Asia, based in Singapore, then opened USW’s office in Beijing as the country director for China. Prior to joining USW, Callies worked at the Montana Wheat & Barley Committee as a marketing specialist. He has a bachelor’s degree in agricultural economics/ag business from Montana State University and a political science certificate from Northern Montana College.

As manager of funding resources, Sydney helps prepare and submit USW’s annual Unified Export Strategy proposal to USDA/FAS and manages compliance with FAS programs. In addition, she compiles USW’s weekly harvest reports and annual crop quality reports. Sydney will continue with these duties in her new position. Sydney had similar responsibilities at the U.S. Grains Council before joining USW in 2010. She has a bachelor’s degree in Asian Studies from the University of Colorado.

“Jennifer is well respected by her colleagues and our business partners,” USW Vice President of Planning Jim Frahm said. “We are pleased to recognize her hard work and look forward to the valuable insight and experience she will bring to this new leadership role.”

6. U.S. Winter Wheat Crop Fighting Poor Conditions; Supplies Adequate for Now

The latest USDA report on crop conditions in the United States provides little encouragement about winter wheat, especially the 2013/14 HRW crop. Persistent dry conditions in the southern and central plains appear to be expanding north (see map below). Overall, U.S. winter wheat conditions are estimated to be at their worst in nearly three decades. Fortunately for wheat buyers, there are currently ample supplies of high quality U.S. wheat available.



For more information about crop and weather conditions in the United States and around the world, visit <http://bit.ly/zpVuxr>.

7. Wheat Industry News

Congratulations to Kansas Wheat on the opening of its new Kansas Wheat Innovation Center in Manhattan, KS. The Kansas Wheat Commission (KWC) and Kansas Association of Wheat Growers (KAWG) have moved into the state-of-the-art complex that includes 15,000 square feet of advanced wheat breeding laboratories, a 10,000 square-foot greenhouse complex and 10,000 square feet of office space. The center will also house Heartland Plant Innovations, a unique KAWG/KWC initiative focused on developing new traits, varieties and solutions for HRW and hard white (HW) winter wheat. For more information, visit <http://conta.cc/THfPGL>.

Next Round of TransPacific Partnership (TPP) Talks. The 15th round of negotiations between the 11 current country members began Dec. 3 in Auckland, New Zealand and continues through Dec. 12. More information is available on the United States Trade Representative (USTR) website at <http://www.ustr.gov/tpp>.

IPO Releases Annual Pasta Survey and Children's Lessons. The International Pasta Organisation has released its 2012 "Survey on the World Pasta Industry." View the report at <http://bit.ly/TDMzUo>. The organization also released the 2012 edition of the "Pasta for Children Around the World," nutrition and cooking curriculum developed in conjunction with Oldways. The lessons are available at <http://bit.ly/R4WLGU>.

NAMA Announces New Website. The North American Millers' Association (NAMA) launched a new website as part of an effort to further define and strengthen the association's communications with key audiences. The redesigned site features tabs on the home page targeted to the association's prime audiences: industry (NAMA members, suppliers, and customers), government (Congress and regulatory officials), and consumers. Check out the new website at <http://www.namamillers.org/>.

Farm Foundation Launches Blog. The Farm Foundation launched AgChallenge2050, a new blog, as part of their initiative, *A Dialogue on Food and Agriculture in the 21st Century*, which creates opportunities for stakeholders to work together to help find ways to feed more people with less impact on our environment. Visit the new blog at <http://www.agchallenge2050.org>.

IGP Intro to Flour Milling Short Course. The International Grains Program (IGP) in Manhattan, KS, will hold its IAOM Introduction to Flour Milling course Jan. 14 to 18, 2013. For more information or to register, visit <http://www.grains.ksu.edu/igp/>.

WMC Asian Noodle Short Course. The Wheat Marketing Center (WMC) in Portland, OR, will hold its Asian Noodle Technology and Ingredient Application Short Course March 19 to 22, 2013. For more information or to register, visit <http://www.wmcinc.org>.

NCI Pasta Production Short Course. The Northern Crops Institute (NCI) in Fargo, ND, will hold its Pasta Production and Technology Short Course April 16 to 18, 2013. For more information or to register, visit <http://www.northern-crops.com/>.

Congratulations to Erica Olson, North Dakota Wheat Commission marketing specialist, and her husband Craig on the birth of their son Andrew on Nov. 17.

Condolences to Muyiwa Talabi, USW marketing consultant based in Lagos, Nigeria, on the death of his mother, Theresa Talabi.

Condolences to the family of Milo Schanzenbach, who passed away Nov. 14 in Aberdeen, SD. Schanzenbach served as USW Chairman in 1983 and served on the South Dakota Wheat Commission from 1981 through 1992. For more information, visit <http://bit.ly/WHaIaf>.

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