



3103 10th Street, North • Suite 300 • Arlington, VA 22201

Tel: (202) 463-0999 • Fax: (703) 524-4399

Wheat Letter

August 8, 2013

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*.

In This Issue:

- 1. Measured, Science-Based Review and Collaboration Ease GM Wheat Concerns**
- 2. Ready to Supply and Serve**
- 3. Trade Team Travels to United States as Chinese Wheat Purchases Soar**
- 4. Canadian and U.S. Grain Sectors Welcome One Year Anniversary of Open Canadian Market**
- 5. Benefitting from a Fully Transparent and Open Market**
- 6. Wheat Industry News**

Online Edition: [Wheat Letter – August 8, 2013 \(http://bit.ly/16D9YuO\)](http://bit.ly/16D9YuO)

Crop Quality Information: [USW Harvest Report \(http://www.uswheat.org/reports/harvest\)](http://www.uswheat.org/reports/harvest)

1. Measured, Science-Based Review and Collaboration Ease GM Wheat Concerns

By Steve Mercer, USW Vice President of Communications

Japan’s Ministry of Agriculture, Forestry and Fisheries (MAFF) announced July 30, 2013, that it was resuming tenders for new purchases of U.S. Western White, a sub-class of soft white (SW) wheat. The ministry had suspended new purchases of Western White following the announcement in late May by the U.S. Department of Agriculture’s (USDA) Animal and Plant Health Inspection Service (APHIS) that volunteer wheat plants with an unapproved genetically modified (GM) trait had been discovered in a single field in Oregon. South Korea’s millers also suspended U.S. wheat purchases but reopened its doors earlier in July.

The resumption of imports by Japan and South Korea came as a result of thorough, science-based reviews of the ongoing APHIS investigation, as well as a sustained effort by the U.S. wheat industry, USDA and many others. At this time, hundreds of samples of U.S. wheat have been tested, yielding no evidence that the GM glyphosate-resistant trait identified in Oregon is in commercial supplies. This reaffirms the USDA conclusion that this was a limited, isolated incident. In addition, USDA made it clear that wheat with that specific GM trait does not pose a food safety concern, based on a 2004 U.S. Food and Drug Administration (FDA) consultation.

From the start, U.S. Wheat Associates (USW), the U.S. commercial grain trade, state wheat organizations and wheat farmers took this unusual situation very seriously. Their work helped identify and share the most accurate information from the ongoing APHIS investigation to buyers, government agencies and end users. Here at home, state wheat associations and the National Association of Wheat Growers (NAWG) kept local officials and congressional contacts informed about reactions to the APHIS investigation in overseas markets.

In the end, the reasoned response to the incident and investigation by farmers, the U.S. wheat industry, USDA and all wheat buyers helped minimize disruptions in the market.

Japan's MAFF intends for the time being to test all purchases of U.S. wheat, including hard red winter (HRW) and hard red spring (HRS), for the presence of the specific glyphosate tolerant trait found in the Oregon field. U.S. wheat growers and exporters have never failed to meet our customers' exceptionally high standards for quality and we are confident they will continue to meet or exceed those standards. And, as we have done for more than 50 years, USW and its state wheat commission members remain completely committed to working with customers to help them make informed decisions about our crop, its quality and unexpected challenges that may affect their wheat purchases.

2. Ready to Supply and Serve

By Casey Chumrau, USW Market Analyst

One of the major emerging grain market stories at the start of the 2013/14 marketing year is China's demand for wheat. As of July 25, China had purchased 3.58 million metric tons (MMT) of U.S. wheat. That number accounts for 28 percent of *total* U.S. commercial wheat sales so far this marketing year, to a country that, on average, accounts for 2 percent of total annual U.S. wheat sales. The ability to meet the unexpected high-volume demand at this time of year, before the new crop is available for shipment, highlights the U.S. system's unique reliability.

China has been relatively self-sufficient since 1996/97 in producing the wheat its population consumes. Total Chinese annual imports have exceeded 3.0 MMT only three times in the last 17 years. In the last five years, U.S. sales to China have averaged 388,000 MT and have not exceeded 3.0 MMT since 1995/96, when sales reached 3.13 MMT.

Chinese imports have been on the rise the past two marketing years. USDA's initial forecast in May projected total 2013/14 imports to reach 3.5 MMT, following imports of 2.93 MMT in 2011/12 and 3.20

MMT in 2012/13. Growing demand for high quality wheat-based products accounts for much of this increase.

There was no clear indication that Chinese wheat imports would jump dramatically this year, yet a combination of factors built up to the spike. First, frost damage and harvest time rains reportedly hurt Chinese domestic crop quality. At the same time, world wheat prices were arching significantly lower than last year, presenting an excellent buying opportunity. And China is certainly taking advantage.

Of the 3.58 MMT of U.S. wheat bought for delivery in 2013/14, 3.29 MMT is soft red winter (SRW). As of July 26, the SRW price for August delivery from the Gulf of Mexico was \$268/MT, compared to \$343/MT a year earlier. This sales pace prompted USDA to increase its forecast for total Chinese imports to 8.5 MMT, by far the highest since China bought 12.5 MMT in 1995/96.

Most, if not all, of the wheat shipped to China so far has been old crop supply. However, the new crop SRW harvest has just concluded in the last few weeks. Most other major exporters exhausted their old crop supplies and will not be able to sell wheat at competitive prices until their new crop is available.

Being first to market is an advantage but without the crop quality information and trade service provided by U.S. wheat farmers and the U.S. government through USW, occasional large buyers could not turn quickly to U.S. supplies. Production volume and consistency combined with an efficient, transparent marketing system backed by experienced trade service allows all wheat buyers to rely heavily on the U.S. market to meet their ever-changing needs.

Most recently in early 2013, Egypt turned to the United States after Black Sea suppliers were unable to meet its large import demand. Without warning or preparation, the United States was able to solely supply 1.68 MMT to the world's largest importer. In April, Brazil turned to the United States because its Mercosur partner, Argentina, did not have sufficient supply to meet Brazilian import demand. Since temporarily lifting a 10 percent import duty in April, Brazil has purchased nearly 2.0 MMT of U.S. wheat – mostly HRW.

3. Trade Team Travels to United States as Chinese Wheat Purchases Soar

It is clear that China is turning to the United States this year to help supply its increasing needs for wheat (see “Ready to Supply and Serve” above). To help Chinese millers take advantage of competitive pricing and high quality U.S. wheat supplies, a team of milling executives and purchasing managers sponsored by USW is now visiting the United States.

In addition to an increasing preference for Western-style wheat foods and high protein wheat, China needs to replace stocks released from their national grain reserve and the domestic winter wheat crop likely had significant quality problems after persistent rains at harvest time. At the same time, U.S. wheat prices have become increasingly competitive.

The six team members will tour grain facilities, meet with wheat researchers and talk directly with farmers on their farms in Oregon, Idaho, Montana and North Dakota. Discussions will help these

managers build knowledge about the U.S. wheat marketing system and about the benefits of U.S. wheat for specific Chinese end-products. The trade team is sponsored in part by the North Dakota Wheat Commission with additional collaboration from the Oregon Wheat Commission, Montana Wheat & Barley Committee and Idaho Wheat Commission.

“These team members are in charge of final purchasing decisions for their mills and are looking for information on crop quality and grain standards,” said USW Regional Vice President Matt Weimar, based in Hong Kong, who will accompany the team. “China is looking to the United States to help bolster wheat supplies, and this team will learn how to use the U.S. grain marketing system to further increase the value of purchases of the high quality wheat needed to meet their consumers’ demands.”

4. Canadian and U.S. Grain Sectors Welcome One Year Anniversary of Open Canadian Market

August 1, 2013, marked the one year anniversary of the return to an open market in the trade of Western Canadian wheat and barley, and grain industry leaders on both sides of the border say the transition has been relatively seamless.

After the open market took effect in Canada, the cross-border system for wheat, durum and barley began working the same as it already does for other commodities such as canola and pulses.

“The Canadian industry welcomes the one year anniversary of an open market for wheat and barley,” said William Hill, interim manager of the Canada Grains Council. “Many positive changes have taken place including new entrants to the Canadian marketplace, the formation of new producer commissions and improved trade linkages.”

Canadian and U.S. organizations formed the Canada-U.S. Task Group and have been working together over the past year to communicate information about trading commodities across the border. As part of this effort, the task group launched a website, <http://canada-usgrainandseedtrade.info>, to provide answers to questions about cross-border trade for wheat, durum and barley producers in Canada and the United States. In its first year, about 4,500 visitors explored information targeted toward Canadian producers, U.S. producers and the commercial grain and seed trade. Visitors can also submit comments and additional questions through the website.

“In just one year, the evidence is clear: Working jointly with governments and industry to communicate change and address issues that impact the flow of trade in agricultural products is a key element to the promotion of economic growth, job creation and bringing benefit to U.S. and Canadian consumers, farmers and agri-business,” said Gary C. Martin, president and chief executive officer of the North American Export Grain Association. “We look forward to additional Task Group work, including an upcoming study of U.S. to Canada commodity flows and use.” Martin said the commodity flow study has already supported development of revised Canadian phytosanitary risk management requirements.

After the study is published, the group will complete a new website module providing specific information regarding commercial trade of grains and oilseeds. In addition, Task Group participants have

identified other opportunities to facilitate trade through improved policies and expanded collaborative efforts.

5. Benefitting from a Fully Transparent and Open Market

By Shannon Schlecht, USW Vice President of Policy

Access to information is an important factor in realizing the market and trade benefits that come from an open market. As many Canadian wheat farmers and industry organizations celebrated one year of open market freedom last week, they were not yet able to celebrate a fully transparent market that would benefit them and potential customers.

Farmers, grain handlers and their customers need transparent market data such as export sales, futures prices, basis and cash price indications at different locations to manage risk or capture the opportunities created by market movements.

The U.S. marketplace is a leader in price transparency. Price data comes from three functioning grain futures and option exchanges, daily U.S. government reports on interior and export price indications, a multitude of private company and elevator websites listing farm gate prices and even the USW weekly export price report for various wheat classes and qualities from different port areas. We believe no other wheat supplier can match such a constant flow of price information to its wheat buying customers.

U.S. market transparency does not stop there. Since 1978, U.S. exporters have been required to disclose export sales to the government for a weekly public tally of grain export volume. As you know, export disappearance is the wild card in demand for most countries and this reporting requirement lets customers and producers know which countries are in the market and how much of each wheat class is still available for sale. In addition, commitments exceeding 100,000 MT must be reported within 24 hours – reports that sellers and buyers alike need for their market decisions.

We applaud the shift to privatization that has occurred in the wheat industry around the world, including the open market changes in Canada's western wheat market. We expect that all wheat suppliers will eventually reach the same level of market transparency. Until then, you can be assured that the U.S. marketing system undeniably provides you the most transparency and market information through various sources, including our experienced USW representatives, to ensure that you receive the most competitive and best value wheat in each and every U.S. wheat purchase.

6. Wheat Industry News

- **NAWG Announces New Staff and Promotions.** The National Association of Wheat Growers (NAWG) and National Wheat Foundation welcome Hugh Waley as director of corporate relations. NAWG also announced the promotions of Brooke Shupe to director of government affairs for risk management and Will Stafford to assistant director of government affairs for trade, transportation and commodity markets. For more information visit www.wheatworld.org.

- **GMO Answers** is a new initiative committed to responding to questions about how food is grown. Its goal is to make information about biotechnology in food and agriculture easier to access and understand. For more information, visit www.gmoanswers.com.
- **WSU Trial Finds No GM Wheat.** Washington wheat is free of the GM herbicide resistant trait found in an Oregon field earlier this year, researchers at Washington State University (WSU) announced Tuesday. The WSU research project included tests on 74 wheat varieties from universities and companies. The tests also included 1,900 advanced breeding lines from WSU and more than 20,000 individual plots. For more information, visit <http://bit.ly/14p8vaI>.
- **What is “gluten-free?”** The U.S. Food and Drug Administration has created a final rule to define the term “gluten-free” for voluntary use in the labeling of foods sold in the United States. The rule sets a limit that gluten cannot exceed 20 parts per million in foods labeled gluten-free. For more information, visit <http://1.usa.gov/15S6EgN>.
- **World Staff Conference.** Many USW colleagues met together the week of July 22 for a biennial world staff conference to review and discuss their work experiences with each other. Kansas Wheat prepared a brief review of some of those discussions in a recent “Kansas Wheat Scoop” column. To read more, visit <http://bit.ly/19eu0zF>.
- **WMC Cracker and Biscuit Technology Short Course.** The Wheat Marketing Center (WMC) in Portland, OR, will hold its Cracker and Biscuit Technology Short Course Dec. 9 to 13, 2013. For more information or to register, visit <http://www.wmcinc.org>.
- **Buhler-KSU Executive Milling Short Course.** The International Grains Program (IGP) will hold its Buhler-KSU Executive Milling (English) Short Course Nov. 11 to 15, 2013. For more information or to register, visit <http://www.grains.ksu.edu/igp/>.
- **NCI Grain Procurement Management for Importers Short Course.** NCI will hold its Grain Procurement Management for Importers Short Course Sept. 16 to 25, 2013. For more information or to register, visit <http://www.northern-crops.com/>.
- **Condolences to Aaron Harries,** Kansas Wheat’s marketing director, and his family on the passing of his father William Harries on July 29, and to Carl Mattson and past USW Chairwoman Janice Mattson and family of Chester, MT, on the passing of Carl’s mother Mary Elizabeth Mattson on August 2.
- **Follow USW Online.** Check out our page at <https://www.facebook.com/uswheat> for the latest updates, photos and discussions of what is going on in the world of wheat. Also, find breaking news on Twitter at www.twitter.com/uswheatassoc, additional photos at www.flickr.com/photos/uswheat, plus video stories at <http://www.youtube.com/uswheatassociates>.

Nondiscrimination and Alternate Means of Communications

USW prohibits discrimination in all its programs and activities on the basis of race, color, religion, national origin, gender, marital or family status, age, disability, political beliefs or sexual orientation.

Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USW at 202-463-0999 (TDD/TTY - 800-877-8339, or from outside the U.S., 605-331-4923). To file a complaint of discrimination, write to Vice President of Finance, USW, 3103 10th Street, North, Arlington, VA 22201, or call 202-463-0999. USW is an equal opportunity provider and employer.