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Wheat Letter

August 22, 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*.

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Online Edition: [Wheat Letter – August 22, 2013 \(http://bit.ly/15ebCCI\)](http://bit.ly/15ebCCI)

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

1. Production Gains by Major Exporters Boosts World Wheat Crop

By Casey Chumrau, USW Market Analyst

Thanks to generally cooperative weather, world wheat production prospects for marketing year 2013/14 (June to May) continue to improve. In its updated World Agricultural Supply and Demand Estimates (WASDE) report released Aug. 12, the U.S. Department of Agriculture (USDA) increased expected world production by 7.6 million metric tons (MMT) to 705.0 MMT. If realized, it would be the largest world wheat output on record and help restock world supply diminished by low production a year ago.

The world wheat supply forecast remains the single most important factor in risk management and wheat buyers should continue to pay close attention to it. Following is a short summary of wheat crop conditions and outlook for each of the world's major wheat exporters.

United States

USDA puts total U.S. production at 57.5 MMT, higher than previously forecast but 7 percent lower than last year and below the five-year average of 60.9 MMT. Winter wheat harvest is nearly complete and average yield will be better than expected in many areas. Final abandonment rates are expected to be high due to earlier drought conditions, offsetting higher overall wheat plantings. Although the crop is smaller than average, there should be sufficient high-quality supplies from each class of winter wheat. Soft red winter (SRW) production will likely be the second largest on record at 14.8 MMT, up from the five-year average of 11.6 MMT.

Canada

In its Aug. 21 report, Statistics Canada projected a 13 percent wheat production increase from last year to 30.6 MMT. If realized, it would be the fourth largest crop on record and the biggest since 1991/92 when Canada harvested 31.9 MMT. Cool temperatures in July and early August protected the crop during its vulnerable growth stages and warmer temperatures in mid-August accelerated crop development. Both better yield and greater harvested area will contribute to the increased output.

European Union

In spite of a long winter and an unusually hot summer, European Union (EU) analysts report lower than expected crop damage and an improved production outlook. Harvest data is limited to date but analyst Strategie Grains increased its EU production forecast this month to 142.4 MMT, a 7 percent increase from last year and the largest total since 2008/09, if realized. The extreme weather left some regional variations in quality, including lower protein wheat in some areas, but overall quality should meet average standards. Harvest is almost complete in France, the EU's largest wheat producer, where analyst Agritel estimates a harvest of 37.0 MMT will be up 4 percent from last year and the largest in nine years. Production is also higher in Germany, where the Farm Cooperatives Association forecasts a 9 percent harvest increase to 24.4 MMT.

Black Sea

The Black Sea production rollercoaster will likely swing higher this year after harsh winter weather and severe drought in 2011/12 devastated last year's wheat crops. Although the weather has not been ideal this year, particularly in Russia (the region's largest wheat producer), the 2013/14 crop will be significantly larger than last year. Rain has slowed harvest and brought potential damage to yield and crop quality, prompting the Russian Institute for Agricultural Market Studies (IKAR) to downgrade its overall grain production forecast this week, which includes 51.9 MMT of wheat. According to USDA, Russia produced 37.7 MMT last year and 52.2 MMT on average the last five years. In Ukraine, where the majority of the crop is winter wheat, harvest concluded about three weeks ahead of normal. The agricultural ministry estimates winter wheat output increased 27 percent from last year to 20.0 MMT.

USDA projects total Ukraine production to reach 21.5 MMT, a 36 percent increase and above the five-year average of 20.3 MMT. Timely moisture in Kazakhstan improved crop conditions and increased potential yields so USDA increased its estimated Kazak production this month by 2.5 MMT to 17.0 MMT. That compares to 9.84 MMT last year and would be well above the five-year average of 14.4 MMT.

Australia

The Australian Bureau of Agriculture and Resource Economics currently forecasts 2013/14 wheat production at 25.4 MMT, up 15 percent from last year and above the five-year average of 24.5 MMT. The majority of Australia's exportable wheat crop grows in the west where timely July rains dramatically improved crop conditions following the driest June on record. Analysts said the recent rains could increase yield potential by 20 percent and help boost production in the western region by 25 percent over last year. Australian yields still depend on good weather during the approaching spring and early summer before harvest.

Argentina

Argentine wheat production has faced several significant challenges the last few years. Government policies limiting exports reduced economic opportunities and prompted farmers to grow crops with a more predictable profit. However, a seemingly farmer-friendly revision in the country's agricultural regulations encouraged farmers to plant more wheat this year. The Rosario Grains Exchange projects a 20 percent increase in planted area to 9.5 million acres (3.8 million hectares). Planting concluded at the end of July with much improved soil moisture compared to the previous year. USDA projects a 20 percent increase in Argentina's total wheat production to 12.0 MMT. Although an increase from 2012/13, it would still fall below the five-year average of 13.1 MMT. As in Australia, the crop still has a long way to go to meet these expectations.

Overall, at this early stage in the marketing year, it is unknown how overall supply factors will turn out and influence the wheat market. USW representatives around the world stand ready to discuss market issues and opportunities for U.S. wheat customers.

2. 2012 U.S. SRW Crop Harvested Under Challenging Conditions

Crop quality data from a survey of the 2013/14 U.S. soft red winter (SRW) wheat crop is now available. Great Plains Analytical Laboratory in Kansas City, MO, collected and analyzed 546 samples from 18 reporting areas in the nine states that typically account for 60 to 70 percent of total SRW production.

Here is a summary of survey results, funded by USW and USDA's Foreign Agricultural Service. Complete data is available on the USW website and will be shared with hundreds of overseas customers at USW's annual Crop Quality Seminars. Buyers are encouraged to construct specifications carefully to be sure that they receive qualities that meet their needs either for traditional soft wheat products or for blending with stronger wheat.

Wheat Data Show Variable Results

The 2013 SRW crop, estimated at 14.8 MMT, is the largest since 2008/09 and much larger than the 11.4 MMT produced in 2012. Crop development was slower than normal throughout the spring because of cool weather and harvest, once it started, was repeatedly delayed by rain. As a result, quality parameters this year vary across the states and do not match the sound values found in the 2012 crop. The overall average grade of U.S. No. 2 and average protein of 9.9% are similar to the five-year averages, and average dockage of 0.5% is well below the five-year average of 0.8%. However, test weight and falling number values are lower than, and damaged kernels higher than, five-year averages. The samples from the East Coast states in the survey (Maryland, North Carolina and Virginia) show the adverse effects of harvest conditions more than the Gulf Port states (Arkansas, Illinois, Indiana, Kentucky, Missouri and Ohio). Of the area sampled, about 80 percent of production is in the Gulf port states.

The overall average test weight of 58.4 lb/bu (76.9 kg/hl) is 1.8 lb/bu (2.8 kg/hl) below 2012 and 0.3 lb/bu (0.4 kg/hl) below the five-year average. The Gulf Port average test weight of 58.7 lb/bu (77.3 kg/hl) is similar to the five-year average for these states, while the East Coast average of 57.2 lb/bu (75.3 lb/bu) is below last year and the five-year average. Average damaged kernel content is 2.8%, up from a low 0.5% last year and the five-year average of 1.3%. Both the East Coast (3.7%) and Gulf Ports (1.7%) damaged kernel values are higher than five-year averages. Most of the increase in damage is reported to be sprout damage, which is consisted with the lower average falling number of 294 seconds compared to the five-year average of 328.

While wheat protein content is similar to the five-year average, sedimentation and wet gluten values are lower overall for both East Coast and Gulf Port states. The overall DON average of 1.5 ppm is higher than the five-year average of 1.2 ppm and much higher than the 0.2 ppm of the 2012 crop. The DON average for the three East Coast states is 2.3 ppm, well above the five-year average, while DON for the six Gulf Port states is about average at 1.3 ppm.

Flour and Baking Data

Flour, dough and baking properties are in most cases similar to five-year averages despite the adverse harvest conditions. Buhler laboratory mill flour extraction and flour ash are similar to the five-year averages overall for both East Coast and Gulf Port states, suggesting that the crop has typical SRW milling characteristics.

Farinograph absorption and stability values and alveograph W values are also similar to the five-year averages, though farinograph mix time averages 1.3 minutes compared with the five-year average of 1.6 minutes. Farinograph peak and stability values and alveograph W values are similar to the five-year averages for Gulf Port states, but are lower than average for East Coast. The East Coast cookie spread ratio exceeds the five-year average while the Gulf Port average is equal to it. The average loaf volume for East Coast samples is similar to the five-year average, but the Gulf Port average of 688 cc is below the five-year average of 716 cc.

3. USW South Korea Country Director Koh to Retire; Kang Hired

Dr. Won Bang Koh, USW country director in South Korea, will retire on Sept. 30, 2013. Koh will be replaced by Chang-Yoon (C.Y.) Kang, who joined USW on Aug. 12, 2013.

“In the wheat business, relationships matter and Dr. Koh has built an incredible link between U.S. wheat farmers with the Korean millers and bakers who buy and process their crops. We thank him for his commitment to this industry and for his dedicated service over the last 28 years; he will be missed,” said USW President Alan Tracy. “Dr. Koh and Kang are working together to transition office leadership. With 19 years of experience in the commercial grain trade and shipping, Kang is a valuable addition to USW.”

Dr. Koh joined USW in 1988. As country director, he directed all trade servicing, technical assistance and promotional activities in South Korea on behalf of U.S. wheat farmers. Before that he served as principal of the Korea Baking School, as research and development manager with Crown Confectionary Co. and as a researcher with instant noodle manufacturer Samyang Foods Co. Dr. Koh earned bachelor’s and master’s degrees in food science and technology and his doctorate in baking science from Dongguk University.

South Korea imports U.S. soft white, hard red spring and hard red winter wheat for use in noodles, baked goods and confectionary products. Despite competition from Australia, the United States maintains a nearly 50 percent market share in the South Korean food wheat market, averaging 1.5 million metric tons. USW works closely with the Korean milling, baking and master baking associations, including promotion of whole wheat flour for increased nutritional benefits.

“It is great to have someone with C.Y.’s experience ready to assist Korean wheat buyers,” USW Vice President of Overseas Operations Vince Peterson said. “We look forward to his innovative approach to this sophisticated market.”

Most recently, Kang worked as the team leader for the grain business division of STX Pan Ocean in Korea. In that position, he traded wheat and other grains to markets in South Korea, China and Taiwan. Kang joined Pan Ocean in 1995 and has worked in various positions, including as the youngest team leader of the grain team. Kang also helped establish STX America, the company’s U.S.-based grain trading business. Kang has a bachelor’s degree in law from Hankuk University of Foreign Studies.

4. Partnering on Trade Policy Benefits Customers

By Tyler Jameson, USW Assistant Director of Policy

Whether it is market and price information or trade policy analysis, USW stands ready to assist our customers in any way possible.

Government policies often result in market distortion so the collaborative efforts USW and our customers make every day to remove these barriers ultimately benefit the entire chain, from consumers to producers by reducing unnecessary burdens on importing U.S. wheat.

To assist our producers and our customers with trade policy issues, USW utilizes the expertise of staff around the world, information produced by USDA's Foreign Agricultural Service and the Office of the U.S. Trade Representative in addition to analysis by other trade experts.

For example, USW analyzes trade policies affecting wheat trade for submission to the U.S. government's National Trade Estimates report each year, including unfair phytosanitary restrictions, excessive domestic support program spending and low tariff rate quota utilization as well as other issues. USW also regularly provides industry perspective on how free trade negotiations can improve opportunities and provide win-win scenarios for U.S. wheat customers and producers.

By working with our customers, USW is also able to gain insight into the implications that these policy measures have on their own industries. For example, USW is working with the Philippine Flour Millers Association on the dumping of cheap Turkish flour into their market to discuss ideas that could result in a more fair market environment.

U.S. wheat producers support free and fair trade practices around the world. We look forward to working with our customers worldwide to create the most fair and competitive environment possible. Such an environment ensures that consumers, our customers and our producers are able to receive and deliver the best product at the best price.

5. European Team Checks Out Northern and Desert Durum Crops

European flour millers and food processors seek out the highest quality wheat each year to produce their premium pasta products. That is why USW is bringing a European trade team to the United States Aug. 24 to 31 to demonstrate how U.S. durum – the hardest of the six U.S. wheat classes – matches their needs.

The team's seven members are procurement and technical managers of the leading Italian, German and Portuguese durum millers and pasta processors, all of which import wheat directly. During visits to North Dakota, Montana, Arizona and California, the team will learn about 2013/14 northern and Desert® durum crop outlook and research. Farmers in both the Northern Plains and Southwest grow durum, although there are distinct characteristics between the varieties grown in each region. In each state, the team will hear from wheat researchers, tour grain elevators and visit with farmers in the field.

“The team is looking for information on advances in wheat breeding, improved gluten strength and reduced cadmium uptake and sustainability,” said Marketing Specialist Rutger Koekoek, based in the USW Rotterdam Office, who will accompany the team. “The program for this team will provide an up-to-date, firsthand picture of U.S. durum wheat quality and boost their confidence in the reliability and value of the U.S. grain marketing system.”

The European durum trade team is sponsored in part by the Montana Wheat & Barley Committee and the Arizona Grain Research & Promotion Council and funding from market development programs administered by USDA's Foreign Agricultural Service. USW also collaborated with the North Dakota Wheat Commission and California Wheat Commission on this team.

6. Japanese Milling Managers to Examine U.S. Wheat Crop from Farm to Port

Japanese flour millers – and their customers – want to know more about the system that produces, transports, inspects and ships the wheat used in their products. And, because Japan typically accounts for 10 percent of all U.S. wheat imports, USW and its state wheat commission members are happy to satisfy that request.

From Aug. 25 to 31, USW is bringing a team of mid-level flour milling managers to Oregon, Washington and North Dakota to gain a better understanding of U.S. wheat breeding, production, handling and marketing systems. The four team members, all of whom are involved in flour production and quality control for their respective companies, will also gain firsthand knowledge of this year's soft white (SW), hard red spring (HRS) and durum wheat crops.

“These team visits reinforce the strong relationship between Japanese millers and U.S. wheat farmers,” said USW Japan County Director Wataru “Charlie” Utsunomiya, who will accompany the team. “It is important to help mid-level managers, who will eventually have full responsibility for production and evaluating inputs, gain insight and perspective into U.S. wheat's consistently high quality, reliability and value.”

USW worked with the Oregon Wheat Commission, Washington Grain Commission and North Dakota Wheat Commission to organize this year's team in addition to collaborating with other industry organizations.

This team was planned far in advance of the discovery of volunteer wheat plants with an unapproved genetically modified trait in a single field in Oregon and Japan's government suspension of new tenders for Western White, a sub-class of soft white wheat.

7. K-State to Lead First NSF Research Center for Wheat

Reprinted from <http://bit.ly/16tcKCe>

The National Science Foundation has named Kansas State University as its lead institution for the world's first Industry/University Cooperative Research Center on wheat.

The premier center, named the NSF I/UCRC Wheat Genetics Resource Center, is the first National Science Foundation-established research center for any crop plant. It will focus on improving the food production and disease resistance of wheat and other crop plants, as well as serve as a training hub for graduate students and young researchers.

The National Science Foundation center will be divided between Kansas State University and Colorado State University, with Kansas State University serving as the lead institution. Bikram Gill, university distinguished professor of plant pathology and director of the university's Wheat Genetics Resource Center, will serve as director.

Collaborators include Kansas State University's departments of agronomy, plant pathology, entomology and grain science and industry; USDA's plant science and wheat genetics units; the Kansas Wheat Commission; the Kansas Wheat Alliance; and multiple corporations, including Bayer CropScience, Syngenta, Limagrain, Dow AgroSciences LLC, General Mills and the Heartland Plant Innovation Center.

The National Science Foundation awarded a seed grant to start the research center, with the stipulation that at least three industry partners had to join and financially back the center. According to Gill, 10 companies signed on as partners.

The Kansas-based research center will be largely based at the Kansas Wheat Innovation Center in Manhattan, KS, where scientists will conduct research on wheat germplasm improvement, using the wheat gene bank of the Wheat Genetics Resource Center.

Both the gene bank — which maintains about 14,000 wild wheat species strains and about 10,000 genetic stocks — and its accompanying laboratory will relocate to the Kansas Wheat Innovation Center, Gill said. Several postdoctoral research fellows also will transition to the building.

According to Gill, the research center creates unprecedented opportunities for graduate students and postdoctoral researchers to work alongside industry partners and academic scientists, as well as to develop new genetic research that could immediately improve food security and safety.

"It's really a win-win for all involved," Gill said. "It's good news for Kansas State University because it's taking one of the university's big strengths and using it to improve food supplies, food safety and the economy, and train future scientists. It's good news for businesses that are interested in improving their wheat growing and breeding efforts. They will be able to use this research to accelerate those areas. We see this as very, very exciting news."

8. Wheat Industry News

- **TPP Negotiations Resume.** The 19th round of Trans-Pacific Partnership (TPP) negotiations will take place in Bandar Seri Begawan, Brunei, Aug. 23 to 30. For more information, visit <http://www.ustr.gov/tpp>.
- **UC-Davis Identifies Wheat Stem Resistance Genes.** Plant scientists at the University of California-Davis have identified two genes that confer resistance to wheat stem rust disease. For more information, visit <http://bit.ly/1dpMwnZ>.
- **K-State Finds Gene That Prevents Wheat from Sprouting.** Researchers at Kansas State University and USDA's Agricultural Research Service have identified the PHS gene, which prevents preharvest sprouting. They note the finding will be most beneficial to white wheat production. For more information, visit <http://bit.ly/14gHmY7>.
- **Simsek Awarded Endowment.** Dr. Senay Simsek, spring wheat chemist and associate professor in plant sciences at North Dakota State University, was awarded the first North Dakota State

University Bert L. D'Appolonia Endowed Associate Professorship in Cereal Science and Technology of Wheat. For more information, visit <http://bit.ly/1cY9g0G>.

- **2013 Borlaug CAST Award Presentation.** The Council for Agricultural Science and Technology (CAST) and DuPont are pleased will honor the 2013 Borlaug CAST Communication Award winner – Jeff Simmons, president of Elanco – as he debuts his new white paper, “ENOUGH - A Pathway to a Food Secure 2050.” Join the presentation and roundtable discussion online. Details available at <http://conta.cc/16HOq1V>.
- **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>.
- **Distance Quality Control/Quality Assurance Short Course.** The International Grains Program (IGP) will hold its distance version of the Quality Control/Quality Assurance Flour Milling Course in Nov. 4 to Dec. 16, 2013. For more information, or to register, visit <http://www.grains.ksu.edu/igp/>.
- **NCI Grain Procurement Management for Importers Short Course.** The Northern Crops Institute in Fargo, ND, 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/>.
- **IBIE Scheduled for October.** The 2013 International Baking Industry Exposition (IBIE), the largest baking trade show in North America, will be Oct. 6 to 9 in Las Vegas. For more information, or to register, visit <http://ibie2013.org/>.
- **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>.

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