



3103 10th Street, North • Suite 300 • Arlington, VA 22201
Tel: (202) 463-0999 Fax: (703) 524-4399

Wheat Letter

June 11, 2009

U.S. Wheat Associates is the industry's market development organization working in 90 countries on behalf of America's wheat producers. The activities of U.S. Wheat Associates are made possible by producer checkoff dollars managed by 18 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.

In This Issue:

- 1. PNW Export Capacity to Expand**
- 2. On the Road for U.S. Wheat**
- 3. Drought Tolerant Gene Discovered**
- 4. Technology Providers Announce Wheat Research Collaboration**
- 5. Moroccan Tariffs in Perspective**
- 6. Gluten-Free Diet Fad a Concern**
- 7. Zhao Marks 25 Years with USW**
- 8. Wheat Industry News**

PDF Version: (Attached)

Online Version: [Wheat Letter - June 11, 2009](#)

1. PNW Export Capacity to Expand

Bunge North America, Japan's ITOCHU, and Korea's STX Pan Ocean have formed a joint venture called EGT Development to build and operate what will be the first new export grain facility in the U.S. in 20 years. EGT expects to begin construction in the next few months at the Port of Longview, WA, on the Columbia River. The announcement came after port commissioners approved an 80-year lease for the new grain terminal. Plans call for a rail loop to unload up to four 110-car shuttle trains and capacity to handle grain, oilseeds, and protein meals.

This week, United Harvest LLC also announced plans to upgrade its Kalama, WA, export facility in a project designed to double its inbound rail capacity. United Harvest said the project will help increase railcar turnaround at the port and, according to the President of United Harvest, will put the exporter in a better position to meet growing customer needs. This upgrade should be complete by Sept. 30, 2009.

Bunge Ltd. is a food and feed ingredient company that operates grain elevators, grain and oilseed processing plants, refineries and food processing facilities in the U.S., Canada and Mexico. ITOCHU is the second largest marketer of grain and food products in Japan, and STX Pan Ocean of Korea ships agricultural products. United Harvest is a joint venture between CHS Inc., St. Paul, MN, the nation's largest producer-owned cooperative and Mitsui & Co. Ltd., Tokyo, Japan, an exporter originating United States wheat, barley and by-products.

2. On the Road for U.S. Wheat

Wheat buyers, sellers and stakeholders are meeting around the globe this month and U.S. Wheat Associates (USW) is in the thick of the action. This week, USW staff presented at the World Grain Forum in Saint Petersburg, Russia, and participated in the International Grain Council's 2009 Grains Conference in London, England. Next week, USW is sponsoring a South Asian Wheat Marketing Conference in Phuket, Thailand.

USW Vice President Vince Peterson was a featured presenter at the World Grain Forum, sponsored by the Russian Federation government and the Russian Grain Union. He discussed present and future competitive pressures in world wheat production on a program that included Russian Federation President Dmitry Medvedev. Grain market professionals from more than 60 countries attended.

The event coincides with a federation government sponsored "campaign" to increase Russian wheat production. The federation has also proposed joining forces with nearby wheat producers Ukraine and Kazakhstan to form a wheat pool to manage grain reserves and develop rail and port capacity, Agriculture Minister Yelena Skrynnik told Reuters News Service. Michael Michener, Administrator of the U.S. Department of Agriculture's Foreign Agricultural Service, was also at the meeting and told Reuters that forming what he said looks like "a cartel" could affect Russia's application to the World Trade Organization (WTO) "if it is done in a way that is trade distortive and trade prohibitive." This week, however, Russia said it is dropping its 16-year unilateral bid join the WTO and is considering reapplying as a customs union with Belarus and Kazakhstan.

As Peterson and USW's Russian Office Director Valentina Shustova pointed out to U.S. officials and wheat buyers at the event, open markets are the best way to meet global wheat demand at fair prices for all buyers and producers.

Peterson travelled from Saint Petersburg to London to join USW President Alan Tracy and USW Chairman Michael Edgar at the IGC Grains Conference Tuesday, June 9. IGC is an intergovernmental organization that administers the Grains Trade Convention and offers a range of market information services to global grain buyers and sellers. USW takes advantage of the unique opportunity at this annual conference to meet with many wheat buyers, including some who can only meet with USW at events like this. USW representatives have presented information at this conference several times. This year, U.S. Grains Council President and CEO Ken Hobbie shared opening remarks with U.S. wheat customer Didier Hazoume, Chief Operating Officer, Crown Flour Mills, Nigeria, and Egyptian Minister of Trade and Industry H.E. Rachid Mohamed Rachid.

Peterson, Tracy, and Edgar will travel to Phuket, Thailand, to welcome U.S. wheat customers to the USW South Asian Wheat Marketing Conference. South Asian countries imported nearly seven million metric tons of U.S. wheat the past two marketing years. USW has focused in the region on helping buyers manage risk in a time of unprecedented market volatility. This year's conference program also does that but also offers technical and functional information that support the intrinsic value of U.S. wheat. To customize future solutions and ideas, attending customers will complete a survey about U.S. wheat quality compared to wheat from other origins.

USW South Asian Region staff does an excellent job organizing and managing these well-attended conferences every two years. This year, the conference occurs at a time of transition. USW South Asia Region Vice President Mark Samson is leaving USW later this year to return to the U.S. USW Vice President John Oades is beginning a transition to retirement soon. He and Samson will offer their perspectives regarding changes in the market they have seen – and on future markets. Mike Spier, currently Assistant Regional Director in Manila, Philippines, will transfer later this year to Singapore as Samson's replacement. Shane Townsend, formerly Trade Policy Analyst in the Arlington, VA, headquarters, has transferred to Manila to replace Spier as Assistant Regional Director.

3. Drought Tolerant Gene Discovered

Monsanto Company and BASF scientists have unveiled the discovery that a naturally occurring gene can help corn plants combat drought conditions and confer yield stability during periods of inadequate water supplies.

The companies said they would use the gene in their first-generation drought-tolerant corn product designed to provide yield stability to their farmer customers. This will be the first biotechnology-derived drought-tolerant crop in the world, targeted for commercial release as early as 2012 pending appropriate regulatory approvals. Both companies also recently announced that they have completed regulatory submissions for cultivation in the U.S. and Canada and for import to Mexico, the European Union, and Colombia. Submissions in other import markets will follow in the months to come.

According to a news release, the announcement comes at a time when recent studies are warning of declining crop yields and global food shortages because of climate change. For example, a United Nations' Food and Agriculture Organization report prepared for ministers of the G-8 indicates increased number and duration of dry spells, especially in already drought-prone areas.

In the U.S., such drought-prone areas overlap traditional wheat production regions including the much of the Great Plains. In field trials conducted there in 2008, drought-tolerant corn met or exceeded the 6 percent to 10 percent target yield enhancement in some of the key U.S. drought-prone areas.

"We know with certainty that drought-tolerant corn will replace more wheat planted area along the eastern edge of the Great Plains wheat producing region," said USW Vice President John Oades. "The per-acre profit potential of corn frequently exceeds that of wheat where late spring and summer rainfall is adequate to produce corn yields. The Great Plains have traditionally been 'wheat country' due to inadequate rainfall to produce competitive corn yields. Drought tolerant corn will change that picture and further expand producer interest in biotech drought tolerance in wheat."

4. Technology Providers Announce Wheat Research Collaboration

Dow AgroSciences and World Wide Wheat (W3) LLC of Phoenix, AZ., recently announced they will work together to develop and commercialize advanced wheat germplasm and traits.

"We are very pleased to be working with W3 to launch a portfolio of new products in the near future," said Jerome Peribere, President and CEO of Dow AgroSciences, in a news release. "This collaboration will build upon our current seed portfolio by expanding into wheat – a very important global crop which supplies a significant amount of the daily nutrition in human diets...to bring advancements in productivity and quality to market." Dow AgroSciences provides innovative technologies for crop protection, pest and vegetation management, seeds, traits, and agricultural biotechnology to serve the world's growing population. www.dowagro.com.

"We are excited to collaborate with Dow AgroSciences," said Sheldon Richardson, Chairman and CEO of W3. "Our four decades of plant breeding experience brings a wide diversity of germplasm offering high yielding varieties developed for markets around the world." W3 is an independent plant breeding company devoted to improving wheat, barley, and oats by operating research stations in 18 countries and producing superior varieties of non-GM cereal grains. www.worldwheat.com.

5. Moroccan Tariffs in Perspective

by Rebecca Bratter, USW Director of Policy

The signing of a U.S./Morocco free trade agreement (FTA) in 2006 created significant new opportunities for U.S. sourced wheat in a market traditionally dominated by European and Canadian wheat imports.

The agreement boosted U.S. wheat competitiveness by creating Tariff Rate Quotas (TRQs) requiring that Morocco purchase set amounts of U.S. bread wheat and durum at preferential duty rates. The agreement reduces tariffs on U.S. wheat to less than half of a general 135 percent grain import duty, with all tariffs to phase out by year ten of the agreement. As a result, U.S. wheat exports to Morocco increased more than 150 percent from 250,000 MT per year to more than 650,000 MT per year through 2007/08.

These numbers slumped to pre-FTA levels in the past year after the Moroccan government instated an across-the-board zero tariff on wheat imports in response to last year's market volatility. That rendered the U.S. wheat TRQs ineffective and re-opened the competitive door to nearby suppliers in the EU and the Black Sea as well as the Canadian Wheat Board.

The U.S. wheat industry should regain competitive ground in the next year as the Moroccan government reinstated import duties to 135 percent as of June 1, 2009 and the FTA terms will recalibrate. The forecast however, remains murky as Morocco is expecting a very healthy wheat harvest this year and the FTA terms will not go back into full effect until the Moroccan government can assess the size of the domestic harvest and calculate new quota amounts for U.S. wheat imports.

USW continues to work closely with U.S. and Moroccan government and industry officials to ensure compliance and clarity with the terms of the FTA. Numerous meetings between both sides have helped make the FTA more effective and continued a positive trade relationship. USW looks forward to strengthened trade ties with this important customer and to continued market presence in Morocco.

6. Gluten-Free Diet Fad a Concern

by USW Communications Intern Karoline Kastanek

Kansas Wheat Commission is hosting the first-ever National Festival of Breads June 15 - 17, 2009, featuring a baking contest designed to promote wheat food consumption (see Wheat Industry News below). Yet while the festival tries to catch the eyes of U.S. consumers, another spotlight contender is rising to their attention: the gluten-free diet. With celebrity endorsements of gluten-free diets and bad memories of the Atkins Diet fad, the wheat industry is concerned about the potential negative impact of this growing trend.

In an article published in the May 19, 2009, edition of *Milling and Baking News* (<http://bakingbusiness.com>), Marcia Scheideman, MS, RD, and President of the Wheat Foods Council (<http://www.wheatfoods.org/>), said that avoiding gluten in the diet may result in vitamin deficiency and may mask a genuine and often undiagnosed autoimmune disease. The medical condition celiac disease "is a permanent intolerance to gluten that can result in damage to the intestine and is reversible with avoidance of dietary gluten," said Dr. Joseph Murray of the Mayo Clinic in Rochester, MN. The Celiac Sprue Association (http://www.csaceliacs.org/celiac_defined.php) estimates that about one in 133 people have celiac disease but the diagnosis rate is only three percent. That estimate indicates there may be 2.1 million undiagnosed people in the U.S.

Exclusion of gluten from daily intake can reduce the consumption of key nutrients such as calcium, magnesium, vitamin B12, vitamin D, iron and folic acid, as cited in an article published by Kyle Eslick of Celiac-Disease.com (<http://bit.ly/8SDEV>). Consumers eliminating gluten from their daily eating habits for weight loss purposes should consider caveats to this trendy new diet. As a protein component of grains, gluten plays no role in weight control, unlike carbohydrates, which often accompany gluten. Scheideman recently wrote in the "Grain Blog" (<http://grainblog.wheatfoods.org/>) section of the Wheat Foods Council that "eliminating gluten from the diet has absolutely no connection with weight gain, loss or maintenance or for that matter simply feeling good."

The USDA Dietary Guidelines (<http://bit.ly/5Exr7>) suggest that Americans "consume three or more ounce-equivalents of whole-grain products per day, with the rest of recommended grains coming from enriched or whole-grain products."

To research nutritional information and learn more about the potential effects of gluten-free diets, please visit the following Web sites:

- USDA My Pyramid: www.mypyramid.gov
- American Dietetic Association: www.eatright.org
- International Food Information Council: www.ific.org
- Just-food <http://www.just-food.com/>
- Nutrient Rich Foods Coalition: www.nutrientrichfoods.org
- International Confederation of Dietetic Association: <http://www.internationaldietetics.org>
- Whole Grains Council: <http://www.wholegrainscouncil.org/>

7. Zhao Marks 25 Years with USW

by USW Regional Vice President Matt Weimar

As he began his work with USW 25 years ago, a modest Shipu "Andy" Zhao, Country Director, USW Beijing, never imagined he would engage in duties ranging from public speaking to evaluating wheat and flour quality over the course of his career. China was in the early stages of its open door policy and USW was opening the Beijing office when Zhao started work driving staff and visitors around the capitol.

Today, China's millers, food processors, and government officials recognize Zhao as one of the public faces representing U.S. producers and the uses and qualities of their wheat. Zhao tutors non-Chinese speaking staff and visitors in both language and culture. He gathers samples from across China's wheat growing regions to research and compare the quality of local and imported wheats. Zhao accompanies milling and trading company representatives on technical and trade visits to the U.S. to help them identify how U.S. wheat fits in Western products and such traditional Chinese foods as noodles and steamed breads. In his leisure time, Zhao enjoys playing world football (soccer), badminton, and touring some of China's more remote regions.

USW thanks Andy for 25 years of work and looks forward to many more years to come.

8. Wheat Industry News

- **Photos from U.S. Wheat Regional Trade Conference.** Representatives from 21 countries in the Middle East and North and East Africa attended the 7th U.S. Wheat Regional Trade Conference in Sharm El-Sheikh, Egypt, May 9 - 12, 2009. USW sponsored the conference with support from USDA/FAS. Additional sponsors included Bunge Ltd., Venus International, Louis Dreyfus Corp., Abou Donkol Group of Companies, and the North American Export Grain Association. [Click here to see photos from the event.](#)
- **2009 ALIM Meeting.** The Argentine Milling Industry Federation (FAIM) will host the 27th Annual Latin American Millers Industry (ALIM) meeting Nov. 8 - 11, 2009, at the Sheraton Libertador Hotel in Buenos Aires, Argentina. USW South American Region Vice President Alvaro de la Fuente is a founding member of ALIM – just part of the basis for strong USW support of the organization. For more information, please visit: <http://bit.ly/33fxkO>.
- **IGP Buhler Milling Courses.** The International Association of Operative Millers (IAOM) in cooperation with the International Grains Program at Kansas State University offer three Buhler milling courses this summer in Manhattan, KS: July 13 - 17, 2009- Buhler Soft Wheat Milling; July 20 - 24, 2009-Buhler Executive Milling; August 3 - 7, 2009-Buhler Expert Milling. The deadline to register Friday, June 12, 2009, is quickly approaching. To register, click on the following link: <http://bit.ly/4qtjDY>.
- **Extended Trading Hours.** CME Group Inc will extend electronic agricultural contract trading hours

starting July 1, 2009. The new hours will be from 6 p.m. (2300 GMT) to 7:15 a.m. (1215 GMT). The Kansas City Board of Trade will also extend its trading hours for hard red winter wheat futures and options contracts. To read more visit: <http://bit.ly/JzKOM>.

- **National Festival of Breads.** King Arthur Flour and Kansas Wheat will co-host the first National Festival of Breads June 15 - 17, 2009, in Wichita, KS. The festival's main attraction, a bread baking competition, seeks out the best home-baked bread from across the U.S. from more than 500 recipes received to date. Competition finalists will compete next week for the top prize. To read more about the festival click here: <http://www.kswheat.com>.
- **Oklahoma Wheat Blog.** Oklahoma Wheat Commission (OWC) is stepping up its online communication with a blog for visitors to its site. The blog covers a range of topics from check-off investments to education and wheat food recipes like a small batch recipe for OWC's famous bread and cinnamon rolls. To visit this site click this link: <http://okwheatcommission.wordpress.com/>.
- **New Wheat Reference.** Wiley-Blackwell announces publication of *Wheat: Science and Trade* by Dr. Brett Carver, Oklahoma Wheat Research Genetics Foundation Chair. This book is a reference designed to expand the body of knowledge on wheat, incorporating new information made available by genetic advances, greater understanding of wheat biology, and changes in the wheat trade industry. For more information, [click here](#).

Nondiscrimination and Alternate Means of Communications

U.S. Wheat Associates 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 U.S. Wheat Associates at (202) 463-0999 (voice and TDD). To file a complaint of discrimination, write to Vice President of Finance, U.S. Wheat Associates, 3103 10th Street, North, Arlington, VA 22201, or call (202) 463-0999 (voice). U.S. Wheat Associates is an equal opportunity provider and employer.

Prepared by Steve Mercer

Number of times this document has been viewed by web users = (since 7/22/2007)