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Wheat Letter

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U.S. Wheat Associates is the industry's market development organization working in more than 100 countries on behalf of America's wheat producers. The activities of U.S. Wheat Associates 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.

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1. Serving Export Customers Fulfills USW Mission for Producers

The stated mission of U.S. Wheat Associates (USW) is to develop, maintain, and expand international markets to enhance the profitability of U.S. wheat producers. That is why USW was pleased to see results of a recent [econometric study](#) showing that it is indeed fulfilling that mission.

When it comes to export customers, however, USW is also pleased that representing U.S. producers and the six classes of wheat they grow has not included price manipulation or hard-sell deals. Our organization believes the base of competition should be wheat's true value. It is why we focus on helping buyers, millers, and food processors learn how our wheat can enhance their profitability and the success of their enterprises. What makes U.S. wheat so valuable is a combination of reliability, transparent prices, excellent quality, and service.

Reliable. When it comes to producing a reliable supply of wheat with a range of functional characteristics to fit any product, U.S. producers are second-to-none. They openly invite their customers to their family farms to see the care and dedication invested in their crops. They take the risks so the U.S. wheat store can stay open even when supplies get tight. It is easy to overlook that at a time when every wheat-exporting country is aggressively offering their product.

Transparent. The ability to know at any time of day or night what you can expect to pay for U.S. wheat is an important advantage for wheat buyers. With well-functioning futures and options exchanges providing the most efficient and equitable price discovery mechanism available and facilitating physical trade, our open market system gives buyers the information they need to manage risk as efficiently as possible.

Quality. The U.S. wheat industry is committed to continually improving milling and baking quality. The [Wheat Quality Council](#) cooperates with the [USDA Agricultural Research Service](#) wheat quality laboratories to connect wheat breeders with U.S. millers and bakers to test and share varietal quality information. USW takes that concept internationally by operating an [Overseas Varietal Analysis](#) program that helps U.S. wheat breeders meet your quality needs. USW also sponsors [Wheat Quality Improvement Teams](#) of U.S. breeders and wheat quality specialists to visit overseas customers. The resulting quality preference and varietal data provide the basis for Wheat Class Quality Targets developed by the Wheat Quality Council for five U.S. wheat classes and for Recommended Variety Lists published in several wheat-producing states to encourage seeding of higher quality varieties. Finally, USW reports extensively on annual harvest quality by class, protein and port regions through published [Crop Quality Reports](#) and annual Crop Quality Seminars.

Service. With 15 offices staffed by exceptionally experienced wheat trade managers, USW works directly with buyers to answer questions and resolve issues in purchasing, shipping, or using U.S. wheat. Our professional technical assistants provide education, information, and personalized consulting that help strengthen overseas milling, storage and handling, and end-product industries. We gather and analyze relevant market data, trade policies, and standards or specifications that may affect your business and project future wheat production and consumption.

When you consider all these advantages and prices that have temporarily fallen to levels that are actually below production costs, we can confidently suggest that U.S. wheat value is greater today than it has been, or probably will be, for many years.

2. An Inspirational Legacy

"The first essential component for social justice is adequate food for all mankind," said the late Dr. Norman E. Borlaug. His remarkable story is one where science, research, and a deep respect for communities in the developing world ignited a global movement that would feed billions. His legacy continues to inspire many organizations to find new ways to address future challenges for agriculture and human nutrition.

For example, the Council on Agricultural Science and Technology (CAST) Issue Paper, *Agricultural Productivity Strategies for the Future: Addressing U.S. and Global Challenges*, is dedicated to Dr. Borlaug and features a preface written by him shortly before his death. CAST calls this paper "a forthright appraisal of the unprecedented challenges facing twenty-first century agriculture."

You can download the paper free of charge at the CAST Web site (www.cast-science.org). CAST is an international consortium of 30 scientific and professional societies. It assembles, interprets, and communicates credible science-based information regionally, nationally, and internationally to legislators, regulators, policymakers, the media, the private sector, and the public.

The Mathile Institute for the Advancement of Human Nutrition (<http://www.mathileinstitute.org/>), a non-profit organization dedicated to advancing the health of the world's children, created the concept of Hunger Fighters "to educate viewers about the life, work and views of...Borlaug... and inspire the next generation to help bring food and nutrition security to the world." Hunger Fighters has produced an educational documentary called "Freedom From Famine: The Norman Borlaug Story." You can see an excerpt and order a copy of the film at the Hunger Fighters Web site (<http://www.hunger-fighters.org>).

3. Winter Storms Bring Welcome Moisture

by Chad Weigand, USW Market Analyst

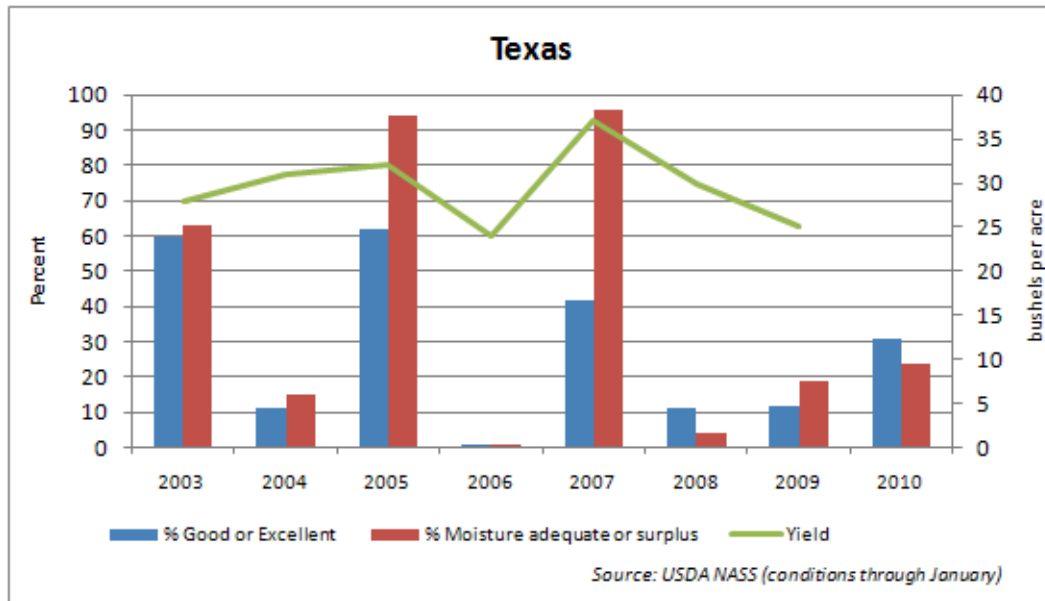
Winter hit the Great Plains hard last week with ice storms and snow, but wheat producers in Texas and Oklahoma are taking the good with the bad. The precipitation should be very beneficial to hard red winter (HRW) wheat where drought conditions forced producers to abandon much of their 2009/10 crop.

Last year's dry conditions cut wheat production in those states by 48 percent compared to 2008/09. The 2009/10 Texas crop was, at 61 million bushels, the second smallest in the past 10 years. Conditions this year are significantly better with 31 percent of the crop in excellent or good condition and only 11 percent in poor condition. Compare that to the same time last year with only 12 percent of the crop rated good to excellent and 35 percent judged very poor. [Texas AgriLife Extension Service](#) reports that the Texas high plains, the state's largest wheat-producing region, received 20.3 to 30.5 centimeters of snow last week. That should provide a beneficial temperature barrier and sufficient moisture to spur crop development when the wheat breaks dormancy, probably in early March.

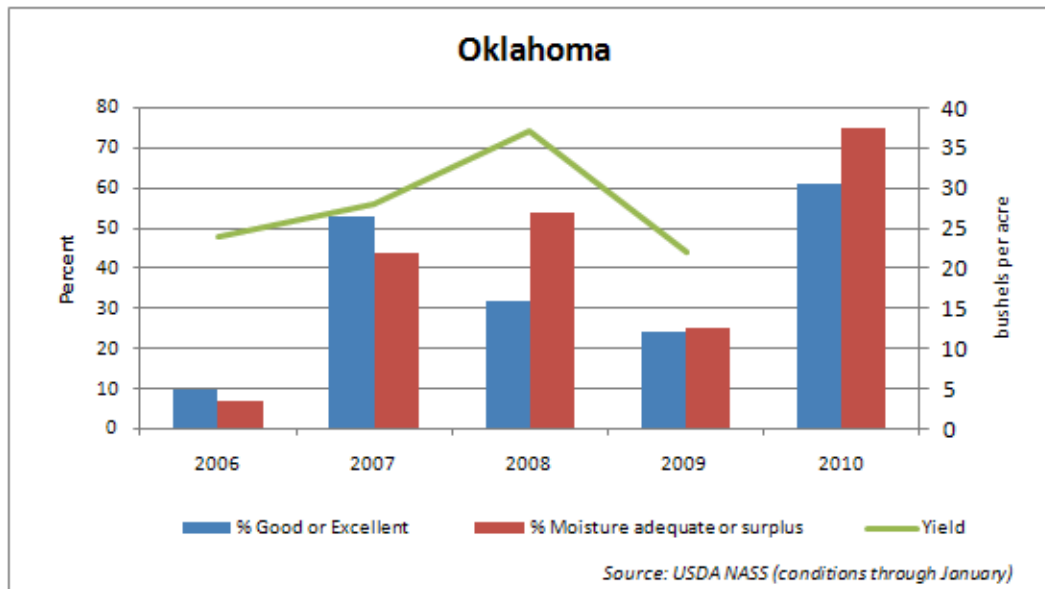
Oklahoma's HRW output in 2009/10 was, at 77 million bushels, the smallest in the past 10 years and is down 53 percent from 2008/09. Currently, wheat there is rated 61 percent good to excellent, up from 24 percent at the same time last year. Soil moisture is also up considerably, with 71 percent of the state at adequate or surplus levels compared to 25 percent a year ago. [Oklahoma Wheat Commission](#) Executive Director Mike Schulte said there was concern in some areas about possible winterkill in early January, but conditions should be more favorable after last week's storm.

Good moisture conditions also extend north into Kansas. The [Kansas Agricultural Statistics Service](#) currently reports soil moisture at adequate or surplus levels for 91 percent of the state. That is up from 51 percent in January 2009. As a result, 56 percent of the winter wheat crop there is in excellent or good condition.

Here is a look at the recent historical relationship between moisture and wheat yields in Texas and Oklahoma:



*Note: Winter wheat planted area fell in Texas from 6.4 million acres in 2009 to 5.4 million acres in 2010.



*Note: Winter wheat planted area fell in Oklahoma from 5.7 million acres in 2009 to 5.2 million acres in 2010.

4. Trade Agenda Makes an Appearance in State of the Union

By Melissa Kessler, Director of Communications, [National Association of Wheat Growers](#)

President Barack Obama's first State of the Union address, given Wednesday, contained an unexpected defense of trade and a renewed commitment to the trade agenda that wheat growers

hope portend more aggressive action in this policy area.

In a passage about creating jobs and maintaining America's competitiveness that also touched on financial reform, innovation and climate change, Obama said:

"...[W]e need to export more of our goods. Because the more products we make and sell to other countries, the more jobs we support right here in America. So tonight, we set a new goal: We will double our exports over the next five years, an increase that will support two million jobs in America. To help meet this goal, we're launching a National Export Initiative that will help farmers and small businesses increase their exports, and reform export controls consistent with national security.

"We have to seek new markets aggressively, just as our competitors are. If America sits on the sidelines while other nations sign trade deals, we will lose the chance to create jobs on our shores. But realizing those benefits also means enforcing those agreements so our trading partners play by the rules. And that's why we'll continue to shape a Doha trade agreement that opens global markets, and why we will strengthen our trade relations in Asia and with key partners like South Korea and Panama and Colombia."

Obama did not specifically call for passage of three pending trade agreements – with Colombia, Panama and South Korea – nor did he lay out specifics of how his new Initiative will help increase exports.

Still, the very fact that the trade agenda...made it into the important speech is cause for optimism in the U.S. wheat industry, which typically exports about half of its annual production and is deeply concerned about the loss of up to \$90 million in sales to Colombia if the U.S.-Colombia agreement isn't ratified soon.

Thursday morning, NAWG and USW, who work jointly on trade policy on behalf of wheat growers, released a joint statement...

"As leaders of an industry dependent on exports for half its sales, we were thrilled to hear that President Obama plans to give trade a more prominent role in his administration's economic recovery agenda," said NAWG President Karl Scronce and USW Chair Janice Mattson.

"...We couldn't agree more, and we believe that an ideal way to kick-start this trade initiative is to finalize the pending U.S.-Colombia free trade agreement...We encourage the Administration to send these agreements to the Hill, and Congress to approve them as soon as possible. We also encourage the Senate to find solutions to the disagreements holding up key trade nominees, without which our country cannot negotiate new agreements in good faith."

NAWG and USW will continue to work with the Administration and Congress on the Colombia agreement and other key trade priorities, including opening trade with Cuba and achieving a reasonable Doha Round agreement.

The full NAWG and USW statement is available at

<http://www.wheatworld.org/2010/01/wheat-leaders-applaud-obama%E2%80%99s-emphasis-on->

[trade-in-state-of-the-union-3/](#).

5. Market Development Funding Allocated

USDA Secretary Tom Vilsack recently announced the allocation of \$234.5 million to 70 U.S. trade organizations, including USW, to help promote U.S. food and agricultural products overseas. The funding was allocated under the [Market Access Program](#) (MAP) and the [Foreign Market Development](#) (FMD) Cooperator Program, both administered by USDA's [Foreign Agricultural Service](#) (FAS).

The MAP uses funds from USDA's [Commodity Credit Corporation](#) (CCC) to share the costs of overseas market development and promotional activities with U.S. nonprofit agricultural trade organizations, state regional trade groups, and cooperatives. Activities conducted with MAP funding include market research, consumer promotions for retail products, technical capacity building, and seminars to educate overseas customers. Under the FMD program, USDA's CCC establishes a partnership with nonprofit U.S. agricultural trade organizations to help fund their overseas presence.

“These programs are deemed to be minimally distorting to world trade and qualified as ‘Green Box’ programs by the World Trade Organization,” said USW President Alan Tracy. “These programs are very successful public-private partnerships that ultimately benefit export customers, too.”

6. Welcoming New Leaders to USDA/FAS

USW welcomes the opportunity to work with several strong leaders recently appointed to positions with USDA, including:

- Ms. Darci L. Vetter, named Deputy Under Secretary for the Farm and Foreign Agricultural Service. Ms. Vetter served on the U.S. Senate Committee on Finance as an International Trade Advisor before joining FFAS. Her experience includes serving as Director of Agricultural Affairs for the Office of the U.S Trade Representative and Director of Sustainable Development. Her work dealing with a wide range of agricultural trade negotiations make her an invaluable asset to the USDA.
- Mr. John Brewer, appointed Administrator, Foreign Agricultural Service. Before his appointment as General Sales Manager at FAS, Mr. Brewer worked for the consulting firm Booz Allen Hamilton as an Associate on the Global Security/Threat Finance Team. In addition, Mr. Brewer brings more than a decade of experience in the federal government, working on U.S. policy toward Latin American and the Caribbean. The USW Board of Directors was very pleased to welcome Mr. Brewer as a guest speaker at their recent Winter Meeting in Washington, DC. Mr. Jim Miller, Under Secretary of Agriculture for Farm and Foreign Agricultural Services, also addressed the USW board. Mr. Miller is a former wheat producer from eastern Washington state and once served as NAWG President.

- Ms. Janet Nuzum, joined FAS as Associate Administrator. Before joining USDA, Ms. Nuzum served as a congressional staffer and as VP, General Counsel for the International Dairy Foods Association. She was also Vice Chairman and Commissioner to the U.S. International Trade Commission where she ruled on trade practices and investigated the economic impacts of U.S. trade negotiations.

7. Wheat Industry News

- **Heartland Plant Innovations Names Leader.** Forrest Chumley is the first President/CEO of [Heartland Plant Innovations, Inc.](#), Manhattan, KS. The firm is a for-profit company with a goal to discover and commercialize new genetic traits and other valuable technologies for wheat, sorghum, and native plants that can help farmers be more efficient and profitable, and help their customers do the same.
- **IGP Annual Report.** Kansas State University's International Grains Program (IGP) recently published its 2009 Annual Report. IGP reports on "a successful year of change and transition" and outlines the short courses, workshops, and activities it managed in 2009. IGP is an educational partner with USW. Click here to see the report (<http://www.grains.ksu.edu/IGP/DesktopDefault.aspx?tabid=19>), or email IGP at igp@ksu.edu.
- **Notable Quote.** "There must be a greater commitment for sustained support of research. We need to work with others around the world on these issues critical to our sustainability. Biotechnology and the production of genetically modified organisms will play a key role in food production." -- Dr. Gale Buchanan, Dean and Director Emeritus, College of Agricultural and Environmental Sciences, University of Georgia, and principal author of the CAST issue paper, *Agricultural Productivity Strategies for the Future: Addressing U.S. and Global Challenges*.

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