



2013 – 2014 ACTIVITIES REPORT

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U.S. WHEAT
ASSOCIATES

BUILDING DEMAND; FACING CHALLENGES

U.S. Wheat Associates (USW) helped maintain strong demand for U.S. wheat in marketing year 2012/13 (June-May) and into 2013/14. In the past year delayed federal funding and the discovery of isolated wheat plants with an unapproved biotechnology trait presented difficult challenges. Yet with impressive support from state wheat commissions and expert technical assistance and trade servicing from the USW staff, the United States once again led world wheat trade with total export sales exceeding 27.4 million metric tons* (MMT) in 2012/13. And, as 2013/14 began, Brazil and the People's Republic of China turned aggressively to U.S. wheat.

*1 metric ton = 36.74 bushels

As the industry's export market development organization, USW promotes all six U.S. wheat classes. Funding is provided by checkoff dollars, goods and services from 19 state wheat commissions, and cost-share grants from USDA's Foreign Agricultural Service (FAS). This report reviews USW activities in 2012/13 and looks ahead in 2013/14. For more information, please visit www.uswheat.org/success, e-mail info@uswheat.org or call (202) 463-0999, Ext. 330.

The positive influence our work has on prices would not be possible without your support. Thank you for your commitment to expanding U.S. wheat exports.

Darrell Davis

Darrell Davis
2012/2013
Chairman

Dan Hughes

Dan Hughes
2013/2014
Chairman

Alan T. Tracy

Alan T. Tracy
President

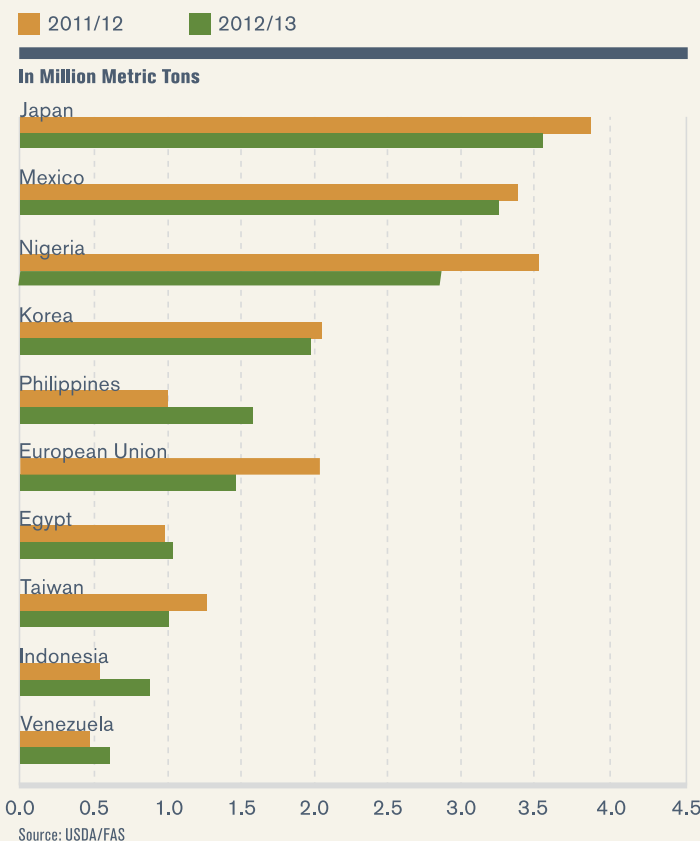
RECORD DEMAND PACES WHEAT SUPPLY

Tough weather and lower prices contributed to a significant drop in world wheat supply for 2012/13. Global demand hit a record high, however, so planted area increased and production rebounded eight percent for 2013/14. USDA expects another year of record demand ahead with world supply only matching demand. Black Sea, European and Canadian wheat will be very competitive in 2013/14.

While U.S. wheat export sales in 2012/13 were about five percent less than 2011/12, USDA expects exports to rebound nine percent this marketing year. For more information about world wheat supply and demand, visit www.uswheat.org/reports.

Here are ways USW supported 2012/13 sales and is fostering demand growth in 2013/14—and how the industry responded to significant challenges.

TOP 10 CUSTOMERS FOR U.S. WHEAT



TOP TEN CUSTOMERS. Japan, Mexico and Nigeria remained our top three customers in 2012/13. Sales to Korea and the Philippines remained strong. That lineup will be quite different in 2013/14 because China and Brazil have imported large amounts of U.S. wheat this year.

TARGETING CANADIAN DOMINANCE IN LATIN AMERICA

The Canadian Wheat Board (CWB) used to dominate wheat sales to Ecuador with monopoly pricing. We now compete fairly, but millers and bakers have a lingering preference for Canadian spring wheat. With USW demonstrating the benefits of soft white (SW), hard red winter (HRW) and soft red winter (SRW) through milling and baking demonstrations and a trade team visit to the United States, U.S. wheat is making a comeback. In 2012/13, Ecuador purchased nearly 199,000 MT of U.S. wheat, valued at \$56.73 million, up 52 percent from 2011/12. Sales in 2013/14 are on a similar pace. That is possible because USW has funding from the Washington Grain Commission, the Idaho Wheat Commission and USDA's Market Access Program.

In Chile, USW recognized that bakers needed new flour products to expand product lines in a growing market. Trade team visits, together with milling and baking demonstrations, are helping convince more Chilean millers to replace Canadian spring wheat with dark northern spring, HRW and SW from the Pacific Northwest while still sourcing up to 45 percent of total U.S. wheat supply from the Gulf. Chile purchased 539,000 MT of U.S. wheat in 2012/13 or about 37 percent more than in 2011/12. To date in 2013/14, Chile is on a pace to import 50 percent more U.S. wheat.



BAKING TESTS using U.S. wheat flour blends demonstrated superior results to Ecuadorian bakers to meet the changing needs of more affluent consumers. An added bonus: U.S. wheat blends are less expensive than Canadian spring wheat.

A RELIABLE SUPPLY

USW always keeps Brazilian millers informed about crop quality and its reliable supply. So when supply shortages and export barriers in Argentina created a new opportunity, the millers helped convince Brazil's government to suspend a duty on U.S. wheat imports. Since then, Brazil has purchased more than 144 million bushels of U.S. wheat—primarily HRW—in 2013/14, on top of 13.7 million bushels imported in the last two months of 2012/13.



BIG CHINA SALES. USW-sponsored demonstrations of western-style products help promote U.S. wheat, including HRS and HRW, as high-performing, high-quality choices in China's booming consumer markets. With the government restocking supplies by importing SRW in 2013/14, U.S. wheat sales are already more than 4 MMT.

FACING NEW CHALLENGES TOGETHER

USW and the entire wheat value chain faced a surprising challenge in May 2013 with the discovery of volunteer wheat plants in a fallow field in eastern Oregon that carried an unapproved GM trait to resist glyphosate. When Japan and Korea suspended new shipments of Western White wheat, USW, the National Association of Wheat Growers (NAWG), state wheat organizations, U.S. grain handlers and exporters, and USDA officials, together with Monsanto, spared no resource to help reopen these critical markets.

Ultimately, this situation proved that the entire U.S. wheat value chain works in harmony for the benefit of farmers, suppliers and their customers, and remains united in its commitment to foster innovation in a responsible way. To read more, visit www.uswheat.org/biotechnology.

STATE COMMISSIONS STEP UP

Together with innovative efforts by FAS, state wheat commissions helped tide USW over a funding crisis until farm bill spending was reauthorized. Member assessments and state-funded special projects for fiscal year 2013 totaled about \$5 million. As a result, USW received more than \$11.7 million in cost-share funding from FAS, which added \$2.30 for every \$1.00 contributed by farmers.

Sadly, USW faces a similar challenge in 2013/14. Our hope as of early January 2014 is that agricultural export market development funding will be reauthorized at least at current levels in a new Farm Bill. USW wants to thank our state commission members for their help and our colleagues at the National Association of Wheat Growers as they work on Capitol Hill.

FOR STRENGTH, BREAD!

USW support for customers in the Philippines, who import more U.S. HRS and SW than all but one other country, includes participation in a nationwide campaign promoting bread for strength and good health (below). USW is also helping Filipino flour millers fight unfair flour dumping from Turkey that is costing U.S. farmers about \$70 million in lost sales.



PREPARED TO ANSWER THE CALL

Global wheat demand is growing with increasing incomes and urbanization, especially in Latin America and Asia. As of January 2014, USDA expects 2013/14 U.S. wheat exports to reach nearly 30 MMT, a nine percent increase. Results ultimately depend on weather, government actions and many other factors.

The people of USW are proud that American farm families continue to support export market development. We will continue working, just as hard and long as they do, to promote their wheat in competitive markets around the world.



President
Alan Tracy
Arlington, VA



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Ipswich, SD



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Venango, NE



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