The World's Most Reliable Choice

U.S. wheat farmers produce a plentiful wheat crop each year allowing the United States to be the largest single exporter of wheat in the world. People around the world rely on the United States and a handful of other countries to supply the basic ingredient for their traditional wheat-based foods. While world wheat trade is largely a commercial market, buyers expect wheat to be available when needed. The U.S. wheat industry recognizes that this social contract exists and has invested much to earn the reputation as the ***world's most reliable choice***.

- **The U.S. Wheat Store is Always Open:** U.S. farmers produce roughly twice the U.S. demand in order to be able to supply our export markets. Farmers and commercial warehouses can store and maintain wheat in top condition until the market needs those supplies, ensuring that the U.S. wheat store is always open.

- **Open Market:** *The two national U.S. wheat organizations urged the U.S. government in 2008 to resist requests to restrict exports to ensure supplies would be available to the world's consumers. In response, USDA Secretary of Agriculture Schafer wrote, "Please be assured that curtailing exports is not a viable response to tight domestic markets. We believe that markets function best without government interference, especially during these volatile times. Shutting down exports would override normal market signals, creating greater market uncertainty."*

Restraining exportable wheat and other food supplies with little consideration for market economics unnecessarily increases world prices and sends false market price signals to everyone involved. Both importers and the world's consumers suffer as a result. That is why customers should consider the value of reliability from various origins:

- **Export Bans:** Governments of some countries, such as **Russia, Ukraine** and **Kazakhstan**, have implemented ***export bans*** on various grains, resulting in *contractual prohibition,* and the outright cancellation of existing export contracts without recourse and the blockage of any new sales. This leaves importers with no ability to recover their purchases at agreed upon prices, often resulting in much higher replacement costs.
    - ***Russia*** has issued two bans in the past 15 years, including five months in 1999 and another ban was announced in 2010 that is expected to extend over 12 months and through the 2011 harvest period. Many world buyers of Russian wheat in 2010 had to replace Russian wheat at prices of $100/MT over the original purchase price.
    - ***Ukraine*** banned wheat exports in March 2007 for an eight-month period.
    - ***Kazakhstan*** banned wheat exports in April 2008 for five months.

- **Export Licenses:** Countries that utilize licenses, such as **Argentina**, can stop issuing the licenses or change the validity period of these licenses with little notice. **China** and **Ukraine** have used licensing systems in the past as well.
    - ***Argentina*** stopped issuing licenses in March 2007, reopened issuances in November 2007 and stopped the practice again in December 2007. The government again issued licenses in January 2008 and stopped the practice in February 2008. This on and off again practice of licensing results in questionable reliability of supplies. In addition, the government reduced registration periods for exports from 365 days to 45 days.
    - ***China*** stopped issuing export quotas for wheat in 2007.
    - ***Ukraine*** has implemented an on and off again licensing system to control wheat exports; reports indicate that extra customs and documentary checks following the 2010 harvest were unofficially blocking exports and officials stated later in 2010 that an export quota would be implemented.

- **Export Taxes:** Several countries, including **Russia, Kazakhstan, China** and **Argentina** have used export taxes in recent years to control exports, which results in higher prices to consumers. Meanwhile, implementing export taxes on U.S. grains is prohibited by the U.S. Constitution.
  - ***Argentina*** increased its export tax from 20% to 28% in November 2007. The government then issued a variable tax in March 2008 that had the potential to increase taxes to 46%. The variable tax structure ended and export taxes were set at 23%.
  - ***Russia*** has used export tariffs off and on for several years; a 10% tax implemented in November 2007 increased to 40% in January 2008 or a minimum $155/MT to decrease export flows, increase domestic supplies and lower domestic prices.
  - ***Kazakhstan*** implemented a tax scheme in March 2008.
  - ***China*** also issued export tariffs ranging from 5 to 25% in January 2008 on certain grains.

- **Export State Trading Enterprises:** Export STEs, such as the Canadian Wheat Board (CWB), manipulate prices and can choose to simply not offer wheat to some customers as they did in 2007/08.

Purchasing wheat involves risk. It is increasingly important to consider not just price and quality, but also contract sanctity, political stability, transparency and the ability of a supplier to meet your increasing business demands. A contract with an unreliable supplier is no guarantee the wheat will be delivered. The U.S. wheat industry realizes that customers have many options for sourcing their supplies and a diversified purchasing strategy that includes U.S. origin can help avoid some purchasing problems that arise in a volatile market situation.

- **Export Taxes:** Export tariffs on U.S. products are forbidden by Article I, Section 9, Clause 5 of the U.S. Constitution.

- **U.S. Contract Sanctity:** Several legislative acts throughout the history of the United States protect the sanctity of all export contracts to assure that registered purchases for export are honored.

- **Market Competition*:*** USDA currently lists over 120 U.S. private agricultural commodity exporters, including at least 25 companies involved in wheat trading, providing assurances to customers that the *competitive environment* and not a *monopoly seller, like the CWB,* will decide their ability to import during difficult times.

- **Transparent Pricing:** Price discovery through futures exchanges results in transparent prices to the entire world so customers know the price U.S. wheat is available to them at any time.

- **Price Assurance:** U.S. exporters use sound risk management practices allowing them to honor sales contracts often made months in advance of vessel loading, giving buyers assurance that they will receive their cargo at the price agreed upon, regardless of market movement.

- **Quality Assurance:** Customers know U.S. quality will meet their expectations because thorough, well-documented and uniform grain inspection procedures exist across the country. U.S. wheat is inspected at several points along the supply chain to ensure quality, including:
  - ***Country elevators*** inspect for basic quality and provide discounts or premiums to wheat farmers based on the quality delivered, which encourages delivery of a quality product.
  - ***Export elevators*** often conduct an inspection on each truck, rail car or barge delivered to their facility to know the wheat quality and segregate to meet each vessel's requirements.
  - The Federal Grain Inspection Service (FGIS) inspects wheat again at ***vessel loading*** to ensure that the quality loaded matches the quality stated in the customer's contract.
  - FGIS uses a well-established ***sublot*** (1,000 MT) ***inspection system*** including diverter sampling and documented inspections, providing buyers with uniformity and consistency.

The U.S. wheat industry is proud of its position as the ***world's most reliable choice,*** and will continue to operate a transparent and open market to maintain that valued reputation. Both our domestic and export customers can depend on the integrity of our supply chain, the quality of U.S. wheat and our unmatched reliability as a supplier.