

Dynamics of world wheat markets changing

BY TYLER HARRIS

LAST YEAR, THE U.S. was dethroned as the world's top exporter of wheat — losing to the Black Sea and Russia. However, Steve Wirsching, U.S. Wheat Associates vice president and director of USW's West Coast office in Portland, Ore., notes the U.S. is still king when it comes to quality.

"Having quality boosts value," he says. "Last year, Russia exported more in total quantity than we did, but we certainly outdid them in terms of total value."

However, that can present a challenge for countries where cost is an issue, adds Steve Mercer, vice president of communications at U.S. Wheat Associates' Washington, D.C., office.

"In markets where we used to have a larger market share, like Egypt and the Middle East, cost has always been a concern. Now they have less-expensive wheat from Russia and the Black Sea that's very close by. Over the past two years, its export price has been as much as \$50 less per metric ton, or more than \$1.36 per bushel," says Mercer.

GOING WHERE QUALITY COUNTS

So, the U.S. is shifting its focus to markets where quality is more important, such as Latin America and Southeast Asia. These markets are gradually joining established quality buyers like South Korea, Japan and Taiwan — markets that pay \$35 to \$40 more per metric ton for quality.

"That adds up. That's what we want to promote. We'd like to encourage people to move into being a quality buyer, rather than a price buyer," Wirsching says.

Meanwhile, Southeast Asia is home to some emerging high-value markets, where disposable income is rising. This means a higher demand for faster, on-the-go wheat products like instant noodles, cookies and crackers. And that means more demand for high-quality, high-protein wheat from the U.S. One emerging market is Vietnam.

"One of the challenges now is Vietnam has insisted imported wheat be treated with methyl bromide, which is not standard insect control for stored wheat and grain," Mercer adds. "One of the things TPP [Trans-Pacific Partnership] would have done is provided a base of rules to arbitrate issues like this in a fair, efficient manner. It's one of those things we hope we can take from TPP and improve on in

bilateral trade agreements and the renegotiation of NAFTA [North Atlantic Free Trade Agreement]."

Coming off of a year of record yields, one of the biggest challenges facing U.S. wheat production is lower prices. In the longer term, lower wheat prices mean

less money to invest in research and development, and quality improvement — and quality is a big driver in adding value through U.S. wheat exports.

One way the industry is working toward improving wheat profitability and productivity, while increasing research, is

through the National Association of Wheat Growers and National Wheat Foundation's National Wheat Action Plan. This includes showing the value of using certified seed, announcing the National Wheat Yield Contest in 2015, and studying the benefits of identity preserved programs.