

The Changing Landscape of *World Wheat Trade*

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President

International Grains Council Meeting

June 14, 2016

London



**U.S. WHEAT
ASSOCIATES**

Wheat Matters!

of the world's calorie consumption.

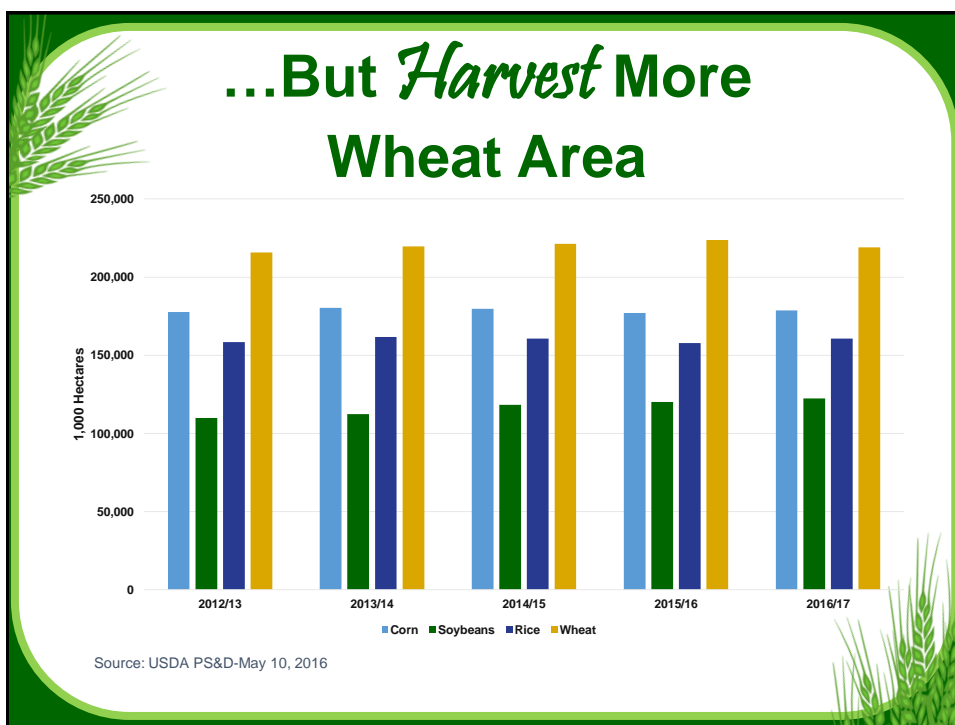
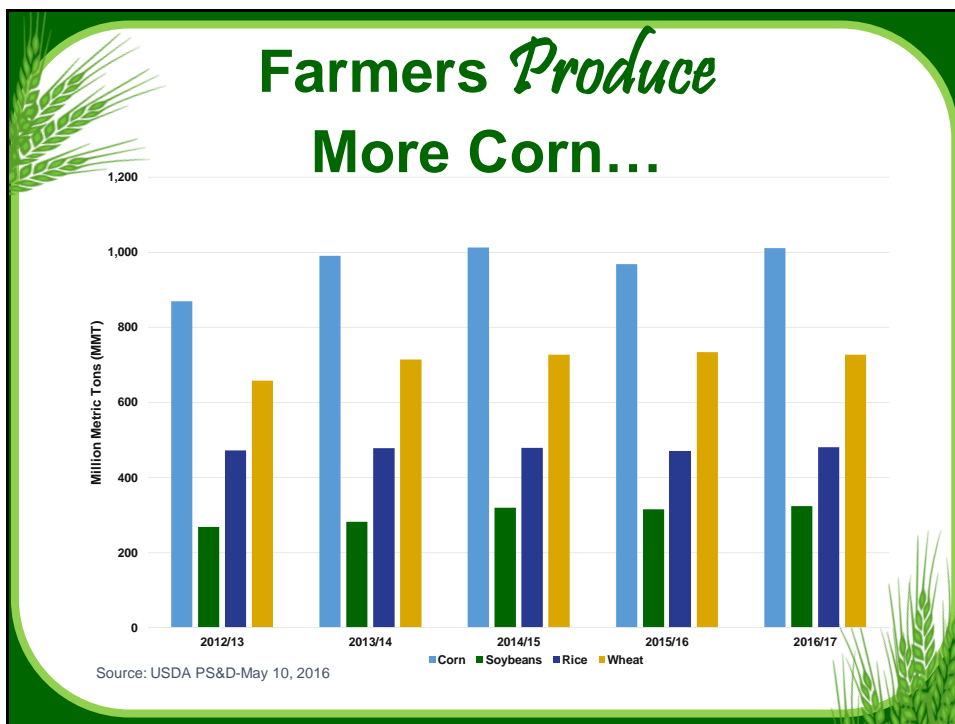
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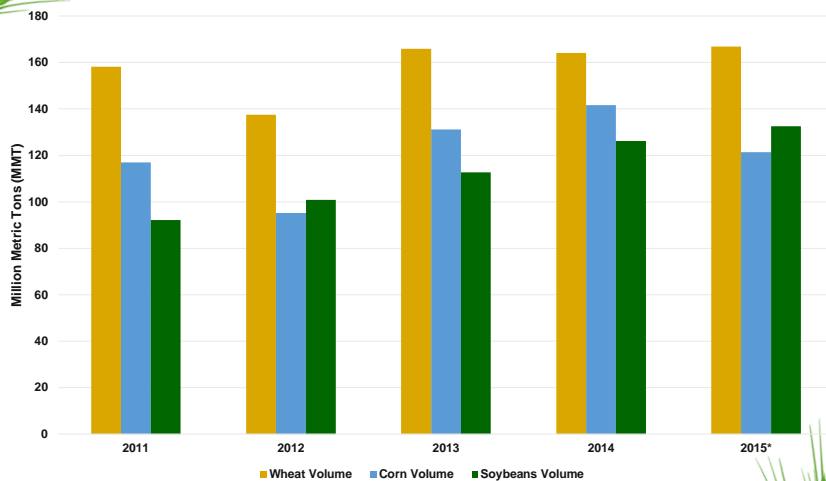
Most planted grain:
219+ million hectares

Most traded grain:
164+ MMT traded annually

of protein for poorest half of the world.



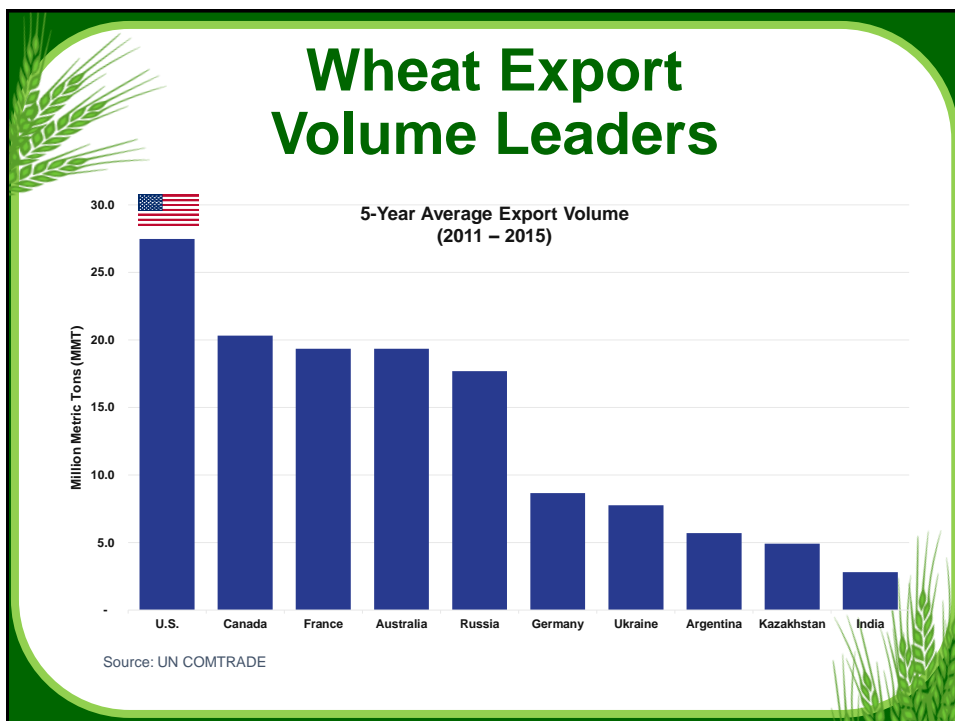
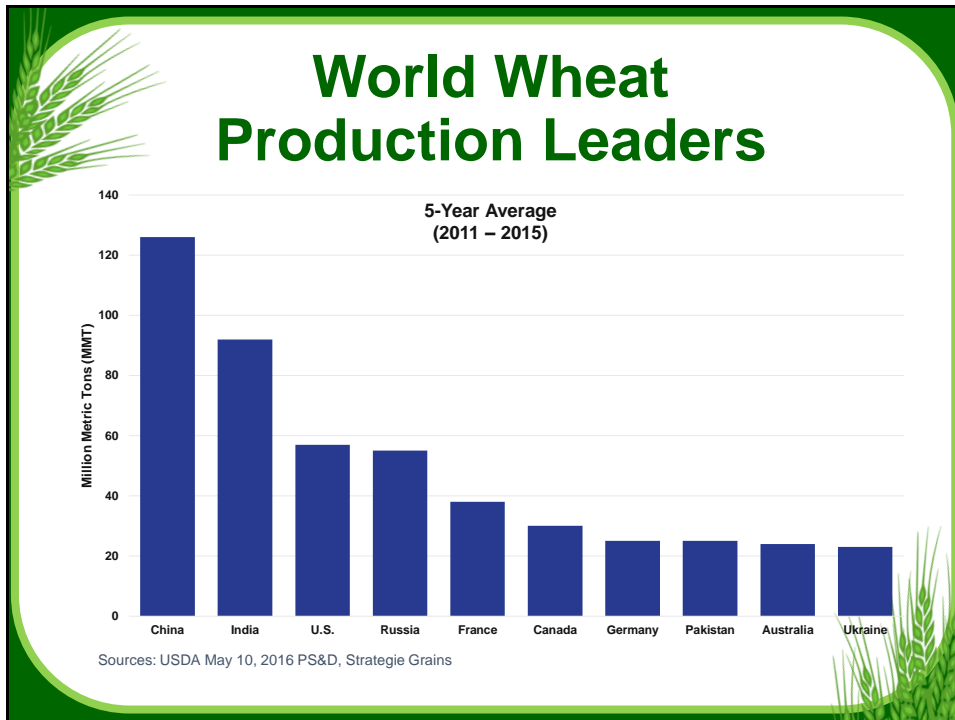
Wheat *Leads* Trade



Sources: USDA PS&D-May 10, 2016 & UN COMTRADE

Real Food for Real People





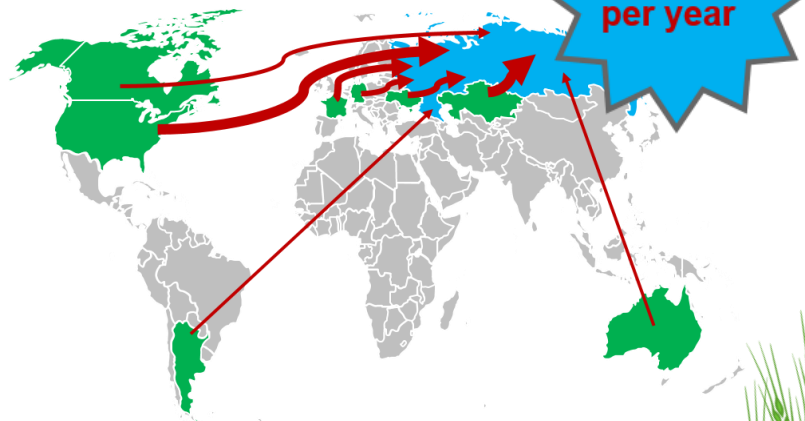
The Big Shift...

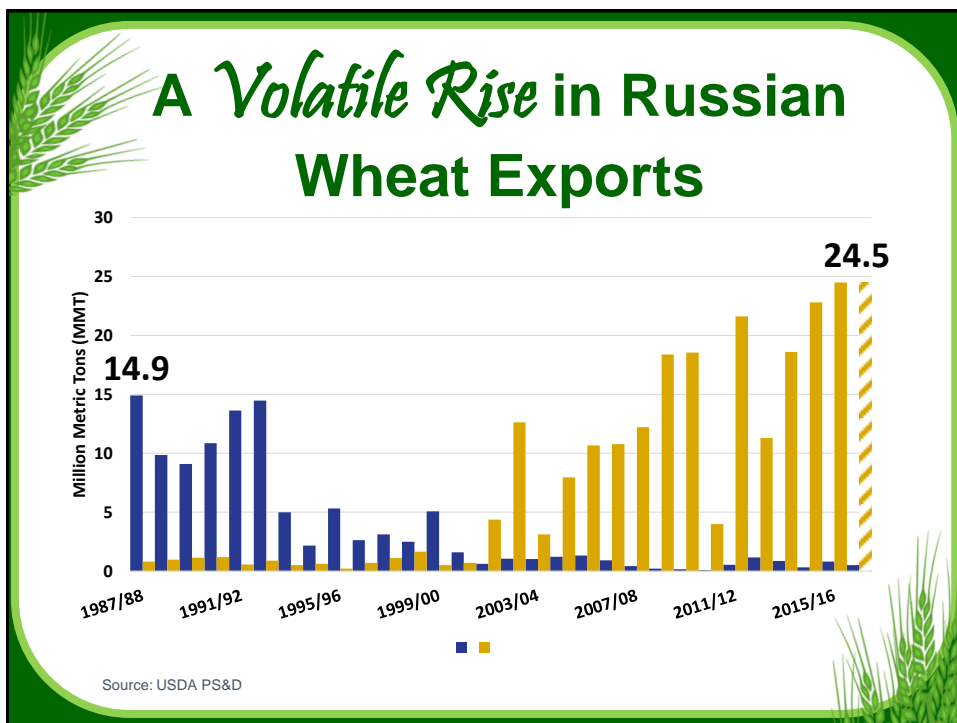
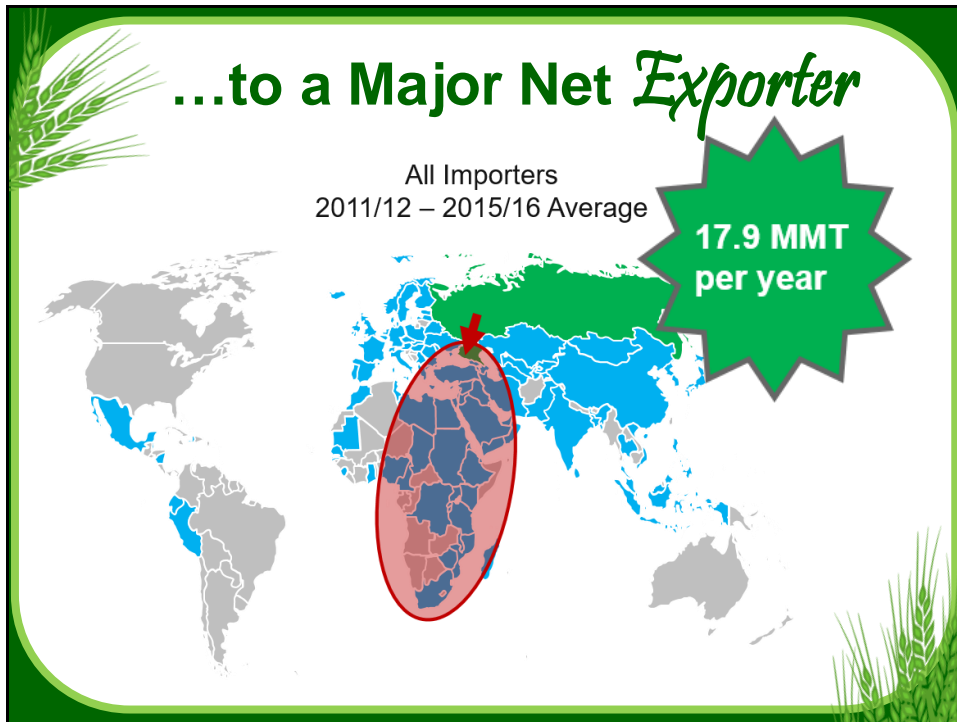


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Russia Changed from a Net *Importer*...

All Exporters
1996-2001 Average



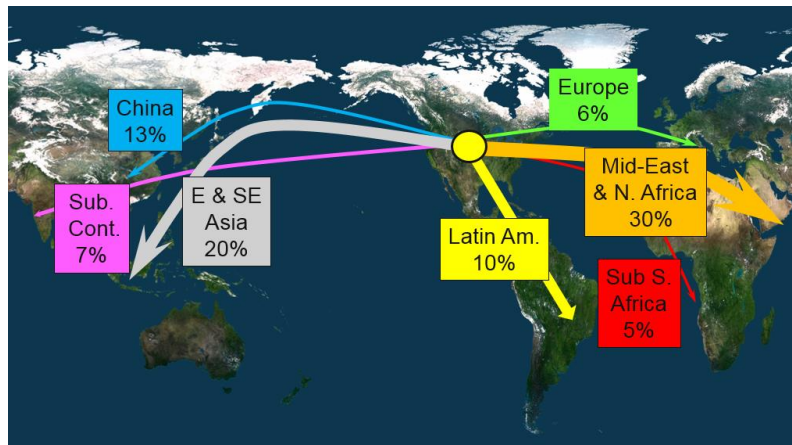


Russia's Rise *Impacts* U.S. Wheat Export *Direction*

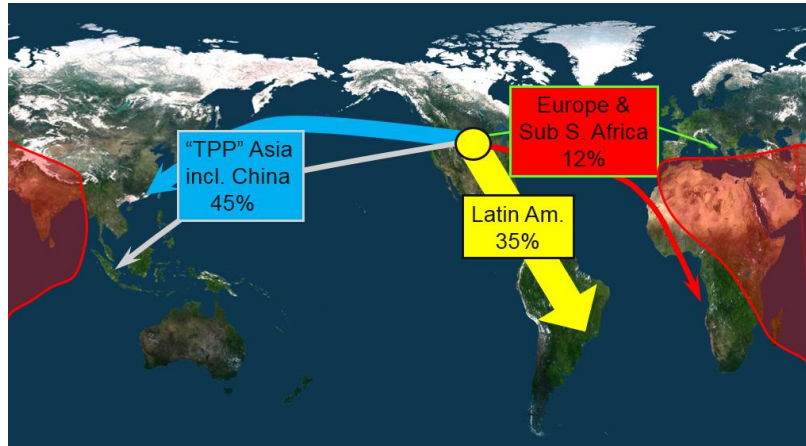


EGT Terminal, Longview, Washington

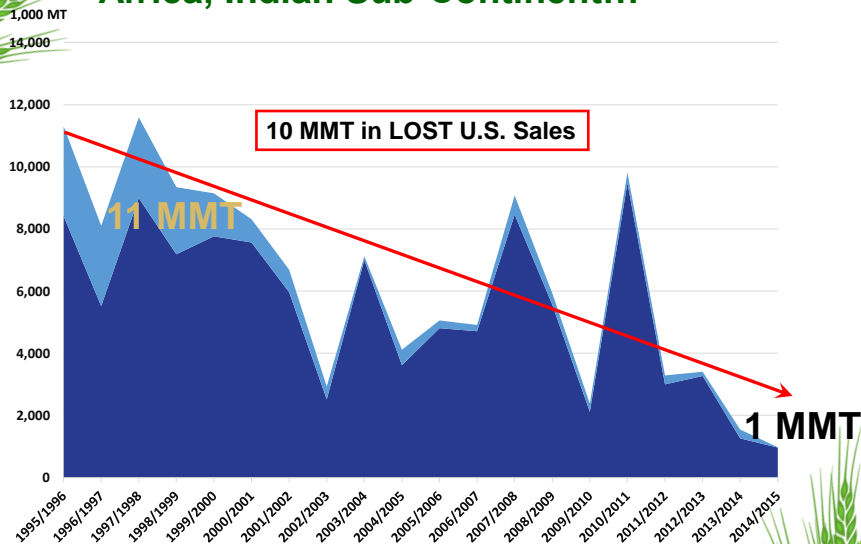
U.S. Wheat Trade Flow 1985 – 1990

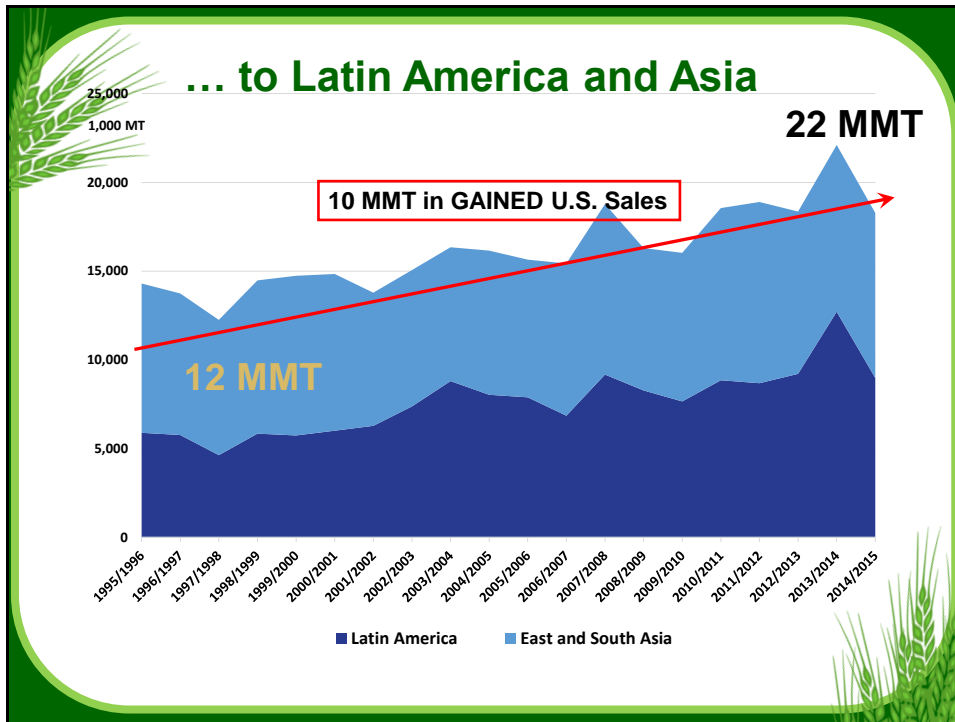


U.S. Wheat Trade Flow 2011-2015



Shifted 10 MMT from Middle East, North Africa, Indian Sub-Continent...





Generating *More* Revenue per MT



Hard Red Winter

\$16.80/MT over a
basket of origins

Hard Red Spring

\$7.27/MT over
CWSR

Soft Red Winter

\$20.36/MT over French

Soft White

\$29.18/MT over French soft

Based on IGC data – MY 2016



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Low-Protein Soft White Earns High Premiums

Jan. 21, 2016 – South Korea Purchase

10.5 max SW:
\$232.09/MT FOB

8.5 max SW:
\$351.71/MT FOB

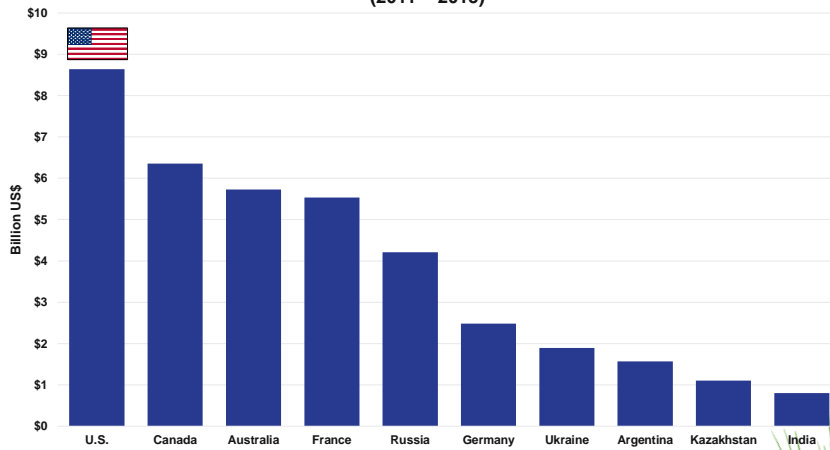
Premium = \$119.62!



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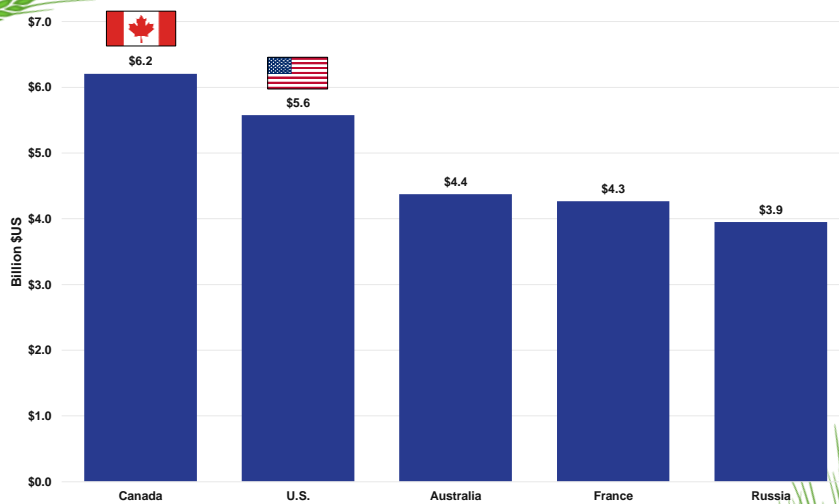
Wheat Export Value Leaders

5-Year Average Export Value
(2011 – 2015)



Source: UN COMTRADE

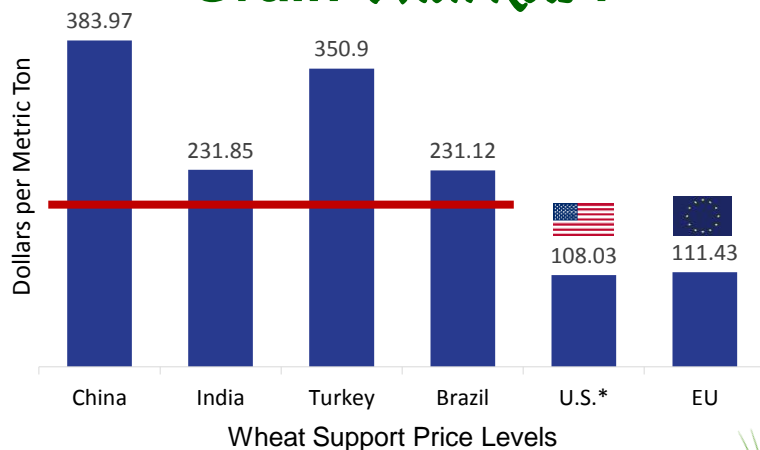
Canadian Volume Pushed 2016 Total Value



Policy Has Also Shifted the Landscape...

...instead of *export subsidies*, the
biggest market distortion today
comes from
domestic price supports.

Who's *Distorting* Global Grain Markets?



Source: DTB Associates – Agricultural Subsidies in Key Developing Countries; 2014

*U.S. loan rate

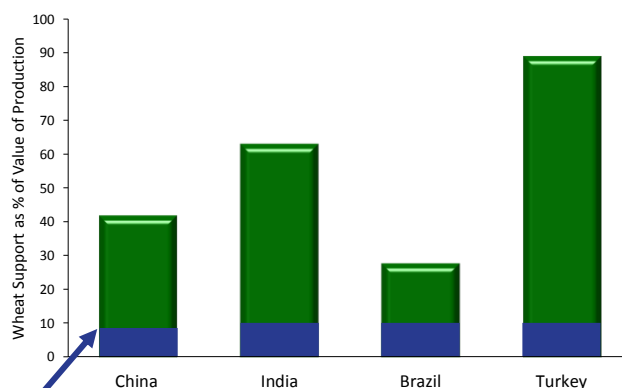
Wheat Support Prices *Soar Above Market Value*

Country	Wheat	Corn	Long-grain Rice
China	\$384	\$361	\$438
India	\$232	\$217	\$332
Brazil	\$231	\$128	\$224
Turkey	\$351	\$310	\$648
Thailand	NA	NA	\$450
U.S.	\$108	\$77	\$128

Support Price Levels

Sources: DTB Associates – Agricultural Subsidies in Key Developing Countries; 2014
Agricultural Act of 2014

And *Soar Above* WTO Limits



Source: DTB Associates – Agricultural Subsidies in Key Developing Countries; 2014

And Soar Above AMS Limits

Aggregate Measure of Support, Billion U.S. Dollars

Country	Wheat	Corn	Rice	Other	Total	AMS Limit
China	\$15.4 - \$18.4	\$20.6 - \$54.4	\$12.4 - \$37.0	NA	\$48.4 - \$109.8	\$0
India	\$12.1 - \$15.8	\$2.5 - \$3.8	\$13.3 - \$28.2	\$33.0	\$36.1 - \$93.4	\$0
Brazil	\$0.8	0*	\$0.6	NA	\$1.4	\$0.912
Thailand	NA	\$0.5	\$1.4 - \$10.1	NA	\$1.9 - \$10.6	\$0.634
Turkey	\$5.7	\$1.0	\$0.3	NA	\$7.0	\$0
U.S.	\$1.3	0*	0*	\$5.6	\$6.9	\$19.1
EU	\$1.9	0*	0*	\$4.0	\$5.9	\$72.4

*Support below *de minimis* level

Sources: DTB Associates – Agricultural Subsidies in Key Developing Countries; 2014
 U.S. WTO Notification on Domestic Support in MY 2013 (most recent year available)
 EU WTO Notification on Domestic Support in 2012/13 (most recent year available)

U.S. Farmers Feel the Pinch

Impact on U.S. Wheat Production, Cash Price and Revenue

If Price and Input Subsidies Eliminated In:	Change in Total U.S. Farm Revenue from wheat
China	+ \$653 million
India	+ \$358 million
Turkey	+ \$172 million
Brazil	+ \$23 million
All Four	+ \$1 billion approx.

Source: Dr. Dermot Hayes, Iowa State University, 2015 and 2016 Analyses

U.S. *Farmers* Feel the Pinch

Over \$1 Billion Less Revenue



U.S. Wheat
Farmer Impact



Exports Down Over 2 Million Tons

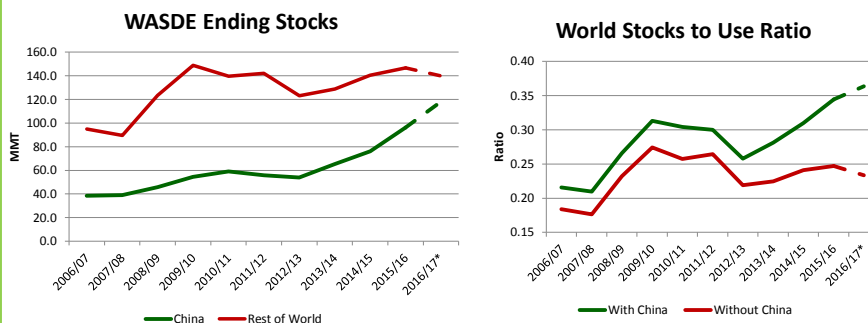
China Support Policies Hurt All Wheat Exporters

Annual Impact of China's Domestic Support Policies on Exporter Farm Revenue

	Exporter Farm Gate Revenue Loss
United States	- \$653 million
European Union	- \$1,128 million
Canada	- \$252 million
Australia	- \$246 million
Russia	- \$896 million
Ukraine	- \$216 million

Source: Dr. Dermot Hayes, Iowa State University, 2016 Analysis

Importer Subsidies *Do Distort Markets...*



**China Drastically Changes
the Global Stocks Picture**

Surveying the *Changing* Landscape...

Wheat Still Matters!

- Black Sea production and trade has dramatically changed trade patterns
- U.S. wheat demand shifted to Asia and Latin America

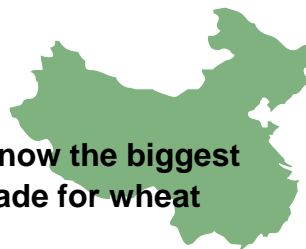


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Surveying the *Changing* Landscape...



U.S. Volume Share is
Down but
Value Share Up



Domestic support from China, others is now the biggest distortion of production and trade for wheat

**A WTO challenge
may be needed**



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The U.S. Wheat Store is Always... OPEN!



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Thank You!

Alan Tracy
President



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