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## Wheat Letter - June 14, 2018

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U.S. Wheat Associates (USW) is the industry's market development organization working in more than 100 countries. Its mission is to "develop, maintain and expand international markets to enhance wheat's profitability for U.S. producers and its value for their customers." USW activities are funded by producer checkoff dollars managed by 17 state wheat commissions and USDA Foreign Agricultural Service cost-share programs. For more information, visit [www.uswheat.org](http://www.uswheat.org) or contact your state wheat commission.

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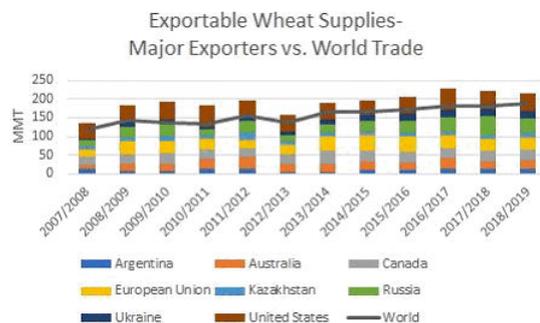
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### 1. **USDA Report Shows U.S. Wheat Farmers Have What the World Needs**

By *Stephanie Bryant-Erdmann, USW Market Analyst*

In its June World Agriculture Supply and Demand Estimates (WASDE), the U.S. Department of Agriculture (USDA) noted that global wheat consumption is expected to exceed global wheat production for the first time since 2012/13 (June 1 to May 31). USDA estimated 2018/19 global wheat consumption at a record 751 MMT, up 7.7 MMT from 2017/18. Human consumption is driving this growth and is expected to increase 2 percent or 10.5 MMT, which is good news for everyone involved in the milling wheat supply chain, including U.S. farmers who are uniquely positioned to meet the demand.



In 2018/19, the United States will hold the largest exportable supply of wheat in the world (production plus beginning stocks minus domestic consumption). USDA's forecast for U.S. exportable supply of wheat is 49.7 MMT, accounting for 22 percent of world wheat exporter stocks. If realized, that is 8.2 MMT more than Russia and 13.9 MMT more than the European Union (EU).

This large exportable supply of high-quality milling wheat highlights the importance of trade to everyone's bottom line. USDA projects world wheat trade to increase 2 percent from 2017/18 to a record high 187 MMT (6.88 billion bushels), and the United States is expected to have 14 percent market share by volume.

USDA predicts that total 2018/19 imports by most top U.S. wheat customers will remain stable year-over-year or increase slightly. Mexico, the top U.S. wheat importer the past two marketing years, is expected to increase total wheat imports by 8 percent year-over-year to 5.5 MMT. If realized that would be 14 percent above the 5-year average.

USDA expects Japan, the top U.S. customer over a 5-year period, will import an estimated total of 5.8 MMT, down 3 percent from 2017/18. Total wheat imports by both the Philippines and China will remain stable year-over-year at 5.8 MMT and 4.00 MMT, respectively. Nigerian imports are expected to grow year-over-year to 5.5 MMT, 17 percent from the 5-year average. Korean total wheat imports will increase 5 percent year-over-year to 4.6 MMT. USDA also expects Indonesia to import a record 12.5 MMT of wheat in 2018/19, up 4 percent from the year prior and 33 percent greater than the 5-year average.

The growth in total wheat imports in these countries is driven by increasing demand for high-quality wheat products. In the top 20 U.S. wheat markets, human wheat consumption is expected to increase about 3.6 MMT year-over-year with the largest increases noted in China and Indonesia.

Additionally, in those markets where the United States has a majority market share (greater than 50 percent), but that fall outside the top 20, such as Honduras, Costa Rica and Jamaica, human consumption is expected to grow an average 2 percent in 2018/19.

With wheat consumption driven by "sticky" food demand, the long-term outlook for global wheat demand is strong. The short-term outlook for demand is also pointing to higher prices for wheat with USDA expecting 2018/19 global wheat production to fall for the first time in 5 years due to forecast production declines in half of the major exporting countries. All of which is good news for U.S. farmers who are ready to meet the global demand for high-quality milling wheat.

To track U.S. wheat harvest, subscribe to the [USW Weekly Harvest Report](#).

To track U.S. wheat export prices and stay updated on global wheat forecasts, subscribe to the [USW Weekly Price Report](#).

## 2. AIB International Empowers and Adds Value to the Baking Industry

By Amanda J. Spoo, USW Assistant Director of Communications

Global demand for wheat food grows stronger every year, making exports vitally important to U.S. wheat farmers. As the export market development organization for the U.S. wheat industry, U.S. Wheat Associates (USW) works to help wheat buyers, millers, bakers, wheat food processors and government officials understand the quality, value and reliability of all six U.S. wheat classes. USW relies on its successful working relationships with world-class educational partners that, through

courses, workshops and seminars, enhance the technical and trade service assistance to help separate U.S. wheat from its competitors. One of those partners is [AIB International \(AIB\)](#) in Manhattan, Kan.

AIB was founded in 1919 as a technology and information center for bakers and food processors. Its mission is to empower the global food industry to elevate their food safety and grain-based production capabilities. AIB's staff includes experts in baking production, experimental baking, cereal science, nutrition, food safety and hygiene. While most of its training occurs at its United States headquarters office, both AIB's physical and virtual overseas offices are involved in coordinating its food safety services as well as public and private training on location.

"AIB has evolved as a company, but that educational piece of our mission has remained at the core of everything we do," said Brian Strouts, AIB Vice President of Baking and Food Technical Services.

In 2018, USW is sponsoring participants from Japan, China and Hong Kong at AIB courses focused on variety breads and rolls, and baking science and technology. USW Technical Specialist Dr. Ting Liu recently completed the Baking Science and Technology Resident Course, an intensive, 16-week residency held twice a year that combines science, hands-on lab work and baking tradition. Liu shares her first-hand experience at the course in the story ([The AIB Baking Science and Technology Course: A Pathway to Success](#)) below.

Participants learn how key ingredients function and interact in baked products, which processes are critical to finished products, sound manufacturing practices and how to manage the production process. The course is accredited by the Kansas Board of Regents, so participants who pass it also receive [60 IACET \(International Association for Continuing Education and Training\) continuing education units](#).

"This course is the capstone of our baking training programs and holds quite a bit of weight in the industry because of its historical significance," said Strouts. "This most recent class to graduate was class 192, and the true value of this certificate is the knowledge of the students who came before them in classes 1 through 191, and what that experience means to them individually and to their organizations."

AIB also offers an [extensive database](#) of online resources, webinars and guides, both free and for purchase. This includes [several resources](#) focused on helping bakeries address key elements of the U.S. Food Safety Modernization Act.

USW recognizes the value of sending both its own staff and U.S. wheat customers to AIB for training. Strouts explained that the key component of AIB's relationship with USW is the international perspective from the participants that USW sponsors.

"Our courses — especially one as long as the Baking Science and Technology Course — is an immersion of its participants, their cultures and individual experiences," said Strouts. "That value is intangible."

Learn more about AIB and its programming and services at [www.aibonline.org](http://www.aibonline.org).

## 3. The AIB Baking Science and Technology Course: A Pathway to Success

By Dr. Ting Liu, Technical Specialist, USW Beijing Office

Before attending the Baking Science and Technology (BST) course at AIB International, I was told by a former BST graduate that it would be an intensive, demanding, and competitive course. The course curriculum guide advised us to expect "a minimum of eight hours in class/laboratory and two to four hours preparing homework each day." So even before the start of the coursework, I realized that the BST course was no piece of cake. But only later did I fully realize the abundant and comprehensive baking knowledge that is included in this course.

The majority of attendees were from industrial bakeries, including Grupo Bimbo and Yamazaki Baking Co., Ltd, and the remaining were from the baking industry, including flour mills, machine manufacturers, educational programs and market development organizations. Attendees from the United States, Mexico, Japan, South Korea, China, Philippines, India and Uganda not only shared their different cultures, but also their diverse production experience. The instructors created a great learning atmosphere, helping participants with their studies and coping with the new environment. Without support and encouragement from instructors and fellow classmates, one may not successfully finish the course.

The content consists of six major components: Baking Science, Bread and Roll Production, Cake and Sweet Goods, Operations, Food Safety and Bakers Math. The curriculum emphasizes the fundamentals of baking science, formulations and procedures, but also approaches to solving commercial industrial-scale production problems.

As expected, AIB is fully equipped, representing the state of the art equipment and tools used in current production. The instructors are very knowledgeable, experienced and patient in lecturing and answering students' questions. The curriculum design is very clear and the instructors have clear divisions in their coursework.

Naturally the coursework focuses on extracting the highest value possible from U.S. wheat flour. The milling and flour science curriculum helped students to further understand the characteristics of U.S. wheat and flour, the flour milling process, testing methods and how to adjust formulas and processes according to flour specifications. This directly benefits U.S. wheat growers by promoting their wheat to customers in international markets.

I gained many useful skills and knowledge from the BST course. The baking fundamentals on ingredients, formulas and processes further increased my knowledge and laid the foundation for answering customers' technical questions about using U.S. wheat. Large-scale production experiments and the operation component deepened my understanding of actual production, making me feel more confident to provide on-site technical service. Moreover, the introduction of global bakery trends enabled me to learn about other countries and promote these trends in China — hopefully to contribute to the development of the Chinese bakery industry.

U.S. Wheat Associates (USW) has a long-standing partnership with AIB and frequently sends attendees to the BST course, and assists in the application and accommodations for attendees from U.S. wheat importing countries. This cooperation is a win-win strategy for all involved. International attendees will bring what they learned at AIB back to their countries and contribute to the development of the baking industry there. The course is beneficial for U.S. wheat producers by demonstrating the high quality of U.S. wheat. USW helps spread baking culture, and promotes AIB to potential participants. All the while, AIB instructors can also learn from students about baking practices in different countries. Only by sharing knowledge can we promote the progress of all parties.

#### 4. Wheat Exports on the Line in U.S.-China Tariff Dispute

By Ben Conner, USW Vice President of Policy

Tomorrow, June 15, 2018, marks the next step in the accelerating U.S.-China trade dispute as the Trump Administration plans to reveal its final tariff list on up to \$50 billion in Chinese exports. China is expected to retaliate immediately, an outcome that could further erode the incomes of farm families who strongly support addressing the real concerns about China's trade policies.

In marketing year 2016/17, China was the fourth largest export destination for U.S. wheat. That dropped to eighth in 2017/18, in part because of uncertainty about whether the U.S. would implement tariffs on Chinese goods.

U.S. Wheat Associates is not in the business of ceding a market like China with so much potential for growth. That is why in 2016 we [called for](#) World Trade Organization (WTO) cases intended to push China to meet its WTO commitments on domestic support and tariff rate quota management. We are happy that the Trump Administration supports and is pursuing those cases.

[USW and the National Association of Wheat Growers know](#) that farmers still want our organizations to keep fighting for fair opportunities to compete in China and other countries. They would prefer, however, to see our government do that within the processes already in place.

On June 1, 2018, USW and 17 other agriculture groups [sent](#) a letter to President Trump asking the Administration to continue negotiations to address trade concerns with China, rather than imposing mutually destructive tariffs

At this point it remains unclear what will happen after U.S. tariffs are implemented; but there no doubt that it will be a bumpy ride.

#### 5. USW to Host Biennial Latin American and Caribbean Buyers Conference

U.S. Wheat Associates (USW) will host its biennial Latin American and Caribbean Buyers Conference July 18 to 20, 2018, in Rio de Janeiro, Brazil. The conference provides in-depth information regarding U.S. and global wheat markets, U.S. crop progress and quality, major industry trends, technological advancements and more.

There will be a welcome reception Wednesday, July 18, followed by two full days of presentations.

[Click here for more information and to register.](#)

#### 6. Wheat Industry News

- **Quote of the Week:** *"While it is trendy to blame human participation in plant genetics as the root of all food problems, the data don't match the allegation. Wheat's rich genetic history has provided the molecular bones of pasta and bread, and a profitable crop for the farmers that grow it. For the 99% of us that are not celiac-sensitive this is very good news."* – Dr. Kevin Folta, University of Florida, [writing in RealClearScience.com](#)
- **Wheat Breeding Not to Blame for Celiac Disease.** New research shows that the immune-reactive agents of modern wheat have been around a long time, and are not necessarily a product of recent genetic improvement. Read [more here](#).
- **Congratulations Ishida-san.** We are fortunate to have devoted, loyal colleagues at USW. Programs Assistant and Accountant Sadako Ishida, based in the USW Tokyo Office, is celebrating 40 years this month. Thank you Sadako for your service to our organization, to U.S. wheat farmers and to our customers around the world.
- **Washington Grain Commission Celebrates 60<sup>th</sup> Anniversary.** As a part of its 60th anniversary celebrations, the Washington Grain Commission (WGC) recently participated in several USW activities in China, Thailand, Taiwan, the Philippines, Indonesia, Chile, Colombia and Guatemala. Activities included cake baking and decorating contests, mill and bakery tours, on-site seminars and meetings. WGC staff and commissioners also gave presentations providing updates on crop production, market analysis and research. USW congratulates WGC on this milestone and looks forward to continuing its partnership to promote U.S. wheat quality and reliability.
- **Congratulations to Jay O'Neil on His Retirement.** Jay O'Neil is senior agricultural economist and grain marketing and risk management curriculum manager at the IGP Institute. He also has been consultant for USW and contributed to Wheat Letter. USW wishes Jay all the best in his retirement.
- **Wheat Marketing Center (WMC) Seeks New Technical Director.** The Wheat Marketing Center is seeking an experienced cereal/food scientist to lead its expanding research and education program. As WMC conducts a search, it also ask its stakeholders, including USW and state wheat commissions, to consider priority products and markers they want to focus on. Read the full story [here](#) and learn more about the open position [here](#).
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	Last	Change		Last	Change		Last	Change		Last	Change		Last	Change
Jul '18	497'6	-3'6	Jul '18	517'2	-5'0	Jul '18	575'0	-2'4	Jul '18	361'6	-1'2	Jul '18	919'0	-8'2
Sep '18	513'4	-3'6	Sep '18	532'4	-5'6	Sep '18	587'2	-2'4	Sep '18	371'6	-1'0	Aug '18	925'0	-8'2
Dec '18	536'0	-4'0	Dec '18	557'0	-5'0	Dec '18	600'6	-3'0	Dec '18	383'6	-0'6	Sep '18	932'0	-7'6

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