

# TOUCH THE SOIL Syndicate



## American Wheat A Domestic Shortage Looms



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The very thought of America, the land of amber waves of grain, facing a wheat shortage is almost un-American. However, over the last two years, a series of events have converged to weaken global food security. America is being asked to export wheat at levels that are drawing down domestic stocks to levels described by U.S. Wheat Associates, the nation's wheat exporting trade group, as "bin bottoms."

Despite record breaking wheat prices, U.S. wheat exports are up over 60 percent from last year. This is creating a very tight supply situation in the United States, precipitating unprecedented prices for flour and wheat. The low value of the American dollar, relative to other major currencies, has made American wheat attractive and contributed to the requests from other countries knocking at America's doors for wheat.

In a nutshell, global demand for wheat is outpacing global production capacity. Global wheat production for the year July 1, 2007 through June 30, 2008 is estimated at 604 million metric tons. Consumption for the same period is estimated at 619 MMT creating a shortfall of 15 MMT. The year before, was even worse with production at 593 MMT and consumption at 616 MMT creating a shortfall of 23 MMT. Back to back shortfalls in wheat production and dwindling stocks to 30-year lows are converging at a time when demand is robustly increasing.

So as Americans enjoy their favorite breads, pastas and pastries, the price is on the way up as the baking industry adjusts to wheat price shocks. According to the USDA, the price of a bushel of wheat in February, 2007 was \$4.71 which rose to \$10.40 in February, 2008 for a 220 percent increase. Durum wheat, used for pastas, went from \$5.16 per bushel in February 2007 to \$16.40 in February 2008, a 317 percent increase.

As these prices squeeze margins for bakers, America's baking industry is getting ready to stage a major food-related demonstration, calling it the "Band of Bakers March on Washington."

"On March 12th, over 50 of the nation's largest baking companies will march on Washington D.C.," said Lee Sanders, senior vice president of government relations and public affairs for the American Baking Association.

The American Baking Association represents the nation's largest baking companies which comprise over 85 percent of the total baking



Photo 1 - Touch the Soil

▲ Temporarily storing wheat outside during peak wheat harvest near American Falls, Idaho. At the time this photo was taken in September, 2007, most farmers and experts knew that wheat was going to be a special commodity, they just didn't know exactly how special, as it has become the focal point of global food security.

industry.

"On a related note, the nation's supply of rye is now exhausted and bakers have to import rye from Germany and the Netherlands," Sanders said.

When the American Baking Association's descends on Washington D.C., they are scheduled to hold a press conference and meet with congressional leaders, Secretary of Agriculture Ed Shafer and top White House officials.

Sanders explained the goals of the ABA are three-pronged. First is to get government to establish a policy that balances domestic supplies of wheat with export demands. Second is to get government to rethink its ethanol policies as corn for ethanol is impacting food security at home and abroad. Third is to encourage some acres be taken out of the popular Conservation Reserve Program, a program that has paid farmers to idle some 35 million acres, much of it environmentally sensitive. However, the USDA estimates some 7 to 10 million acres in the CRP program are not environmentally sensitive. These are the acres the ABA is asking be released back into farming production.

The big question for 2008 will be whether or not wheat acres will increase domestically. While the desire for more wheat acres is obvious, it must be recognized that three other major crops are also in big demand, commanding historically high prices and on the hunt for more acres. These crops are corn, soybeans and hay. It is uncertain which crops will be the winners and which crops will be the losers in this unprecedented competition for farm acres.

Due to the importance of the world wheat situation to consumers, the next column will focus on the USDA's preliminary planting report which is due out on March 30th. It will give us a peak at whether or not wheat is getting the extra acres it needs. ■

### Web resources:

American Baking Association: [www.americanbakers.org](http://www.americanbakers.org)  
U.S. Wheat Associates: [www.uswheat.org](http://www.uswheat.org)