

TOUCH THE SOIL Syndicate



Wheat Tremors

A Cause For Consumer Concern?



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Recently, a wheat and flour shortage in Egypt has erupted into social unrest and dozens of altercations in which people have lost their lives. To quell the situation, Egyptian President Hosni Mubarak ordered his nation's army to open all of its kitchen facilities and start baking bread to feed millions of poor, many who have taken to the streets to voice their dire situation.

The president of Egypt authorized the use of the nation's foreign exchange reserves to buy more wheat. Egypt also happens to be the world's largest importer of wheat and a large U.S. wheat customer.

The United States is the world's largest exporter of wheat. And herein lies the issue. Wheat grown in America is not specifically earmarked for consumption in America. Global wheat shortages have international buyers knocking on America's doors for wheat and exporters are cleaning out America's bins to meet the business opportunity. About half of all American wheat production is exported.

As America cleans out its wheat bins, America's millers and bakers are wondering — where's the wheat?

"Last year I was paying about \$14 for a hundred-pound bag of flour — last week I was quoted \$57 for that same bag of flour," commented Len Amoroso, American Baking Association member and EVP of Amoroso Baking in Philadelphia, Pa. while lobbying at the nation's capitol on March 12th. "This means that I will have to spend \$13 to \$15 million more this year just on flour. Bakers can't keep up with these increases — we will be forced to make cuts or go under."

For perspective, America's large acreage crops — corn, soybeans, hay and wheat — use about 85 percent of the nation's primary crop acres (280 million acres out of 320 million acres). Low stocks and high prices in these four crops has farmers on the hunt for more acres. The issue is that in total, there are no more acres. This tremendous demand for a relatively fixed amount of farmland increases the risk that one crop will gain at the expense of another crop being shorted, Corn is the crop that's getting shorted in 2008 and wheat is getting a nominal boost of new acres..

The USDA's "Prospective Plantings" report of 3/31/08 reports wheat will be up 6 percent (3.4 million acres), soybeans will be up 18 percent (10 million acres) and corn will be down 8 percent (7.6 million acres). So while users of corn (eggs, milk, meat, poultry and ethanol) must compete for a smaller crop, large users of wheat must worry about weather risks.

► A grain auger dumps wheat temporarily onto large piles during the heat of harvest. An extremely tight supply of wheat, that has sent prices soaring, is causing international concern. USDA economists, hunger statisticians and the United Nations are all focused on the potential of the 2008 wheat crop at home and abroad.



Photo 1 - Touch the Soil

Not commonly known is that of all the crops, wheat experiences the largest loss of acres between planting and harvesting. About 75 percent of the nation's wheat acreage is winter wheat that must survive the winter and thus heavy losses. Over the last 10 years, the best year was 1998, when only 10 percent of wheat acres planted were not harvested. The worst year was 2002, when 24 percent of wheat acres planted were not harvested. Average wheat yields also vary. Over the last 10 years, 2003 was best with a 44.2 bushel per acre average and 2002 was the worst with a 35 bushel per acre average

Projected 2008 wheat plantings of 63.8 million acres, up 3.4 million acres from 2007, have many hazards to overcome before the grain is in the bin. Lets hope we don't have a repeat of 2002.

Consumers are increasingly entering the politics of food. Farmland availability has become a major limiting factor in boosting production. Consider America farms 275 million acres less than its peak farmland year in 1954. Food stocks are another factor. Wheat stocks, to buffer variabilities in production from year to year, have been interpreted as an oversupply. This has sent signals to the market to sell what should be designated as a reserve. Wheat exports are another issue. Limiting exports to protect domestic food security has never been addressed.

USDA reports reveal global wheat production has met global wheat consumption only once out of the last 10 years, requiring a draw-down of stocks the other 9 years.

As risks to escalating food prices increase, it will fall to the public domain to bring issues of farmland protection, exports beyond production and rebuilding of stocks into the public and political forum. They are all issues in the process of landing on our dinner tables. ■

Web resources:

American Baking Association: www.americanbakers.org

U.S. Wheat Associates: www.uswheat.org

USDA Prospective Planting Report: <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do;jsessionid=8CF87797245395D0CA7D3112E38C6C0F?documentID=1136>