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U.S. Wheat Exports Poised for Rapid Growth

At first glance, U.S. wheat exports as of Nov. 1 are disappointing. Five months into the 2012-13 current marketing year, the export total of 14.7 million metric tons is 9% lower than last year and less than half the USDA's forecast of 31.3 million metric tons.

These numbers don't tell the whole story, however, says Vince Peterson, vice president of overseas operations for U.S. Wheat Associates, the nation's international wheat marketing assistance organization. Peterson spoke at the recent U.S. Wheat Associates/National Assn. of Wheat Growers fall board meetings in Houston.

Peterson, who directs U.S. Wheat's 70 employees in 15 overseas offices, says global wheat markets are driven by many factors that are out of the control of U.S. Wheat and American wheat farmers. This year, drought in Russia and Ukraine has forced both of these major competitors to reduce exports to their major customers in northern Africa and the Middle East. In fact, the Ukraine was expected to stop exporting wheat after November 15. This prompts a domino effect. France - home to Europe's largest stockpile of wheat - will run out of export wheat by mid-winter, Peterson says.

"That puts the logistical reach back to the U.S. We haven't done much from July to October in the Middle East due to the presence of those two suppliers. We're right on the verge of picking up on our window of opportunity, which is going to be the second six to eight months of the year rather than the first four or five," Peterson explains.

There could be opportunity for U.S. wheat exports to Brazil, thanks to weather issues in Argentina. Peterson says that nation's crop was hindered first by drought, and then by rain causing quality problems. Brazil would normally buy seven million metric tons of wheat from Argentina, but that's not going to be the case this year.

"That's a window we didn't have before that may be bigger this year than in previous years," he explains. "The Argentine problems will be a boon for us the second half of the year. Where normally they would come in November or December with a big export program, it will be very modest this year."

Meanwhile, exports to Mexico, Nigeria, Philippines and Japan are ahead of normal. And with many key competitors unable to provide wheat to their traditional customers, Peterson anticipates the second half of the marketing year will allow the U.S. to meet that 31.3 million metric ton export forecast.

There is a caveat, however. The U.S. Wheat Associates is largely funded by wheat farmers, through state wheat checkoff programs. These funds are matched by the federal government through USDA programs called Foreign Market Development and the Market Access Program. Both are funded through the recently expired Farm Bill. With a new Farm Bill in limbo, U.S. Wheat's ability to assist wheat buyers is compromised. The organization has reserve funds, but these will last only through May, at best.

Peterson says the 2012-13 marketing year provides tremendous opportunity for U.S. wheat exports

due to the global weather concerns. But the U.S. faces stiff competition from Canada, which had a large wheat crop featuring excellent quality. And, this is the first year that Canada's wheat is available on an open market, prompting a lot of interest from private companies eager to gain access to Canada wheat.

"Frankly, we need to be front and center and the federal funding issue is a big deal for us," he says. "We're trying to make changes to extend it as long as we can, but there has to be movement on Capitol Hill to pull that out for us."