

U.S. Wheat Trade and Transportation Update
- Dalton Henry, USW Trade Policy

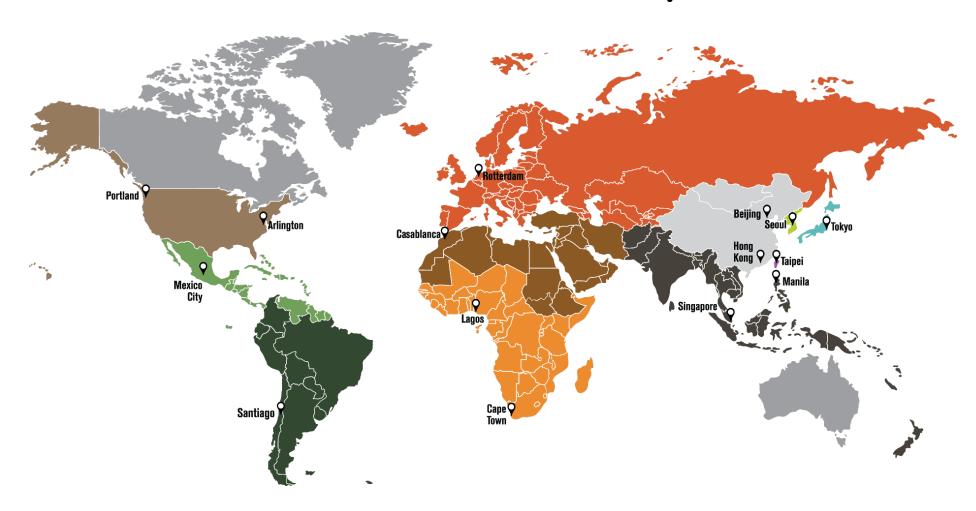
March 2022– IAOM, IGP Institute



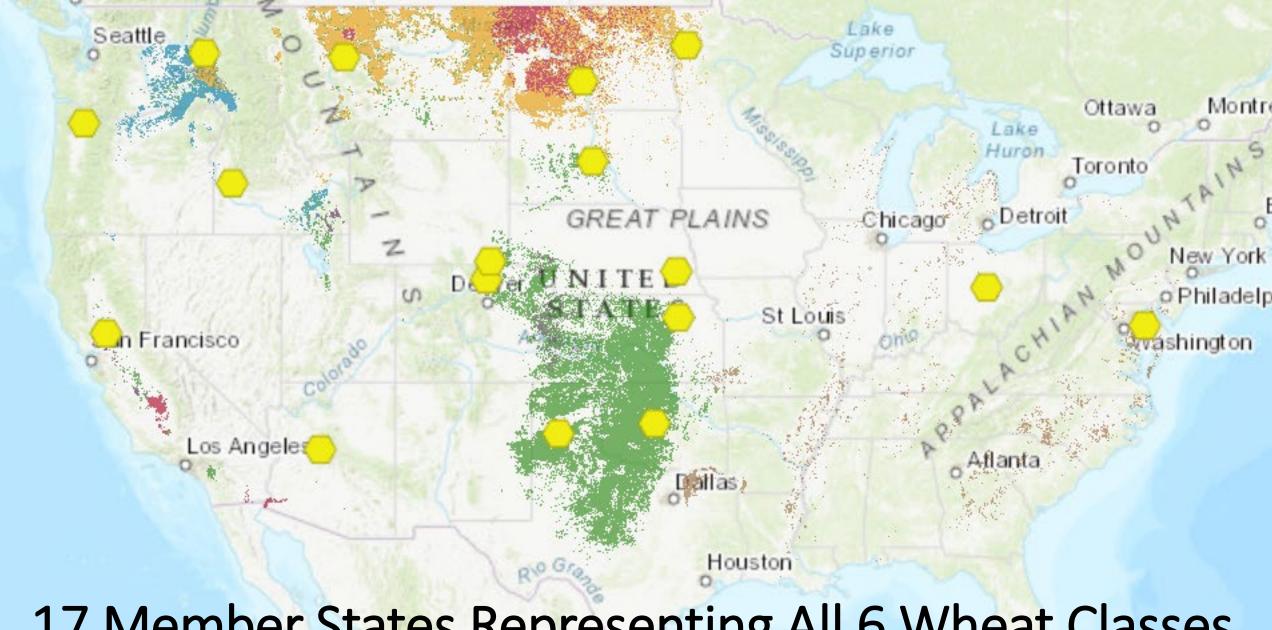
Today

- Rail merger proposal
- Big picture wheat trade items
- US Trade Policy?

USW - Working for wheat growers and their customers 24/7



"Develop, maintain, and expand international markets to enhance wheat's profitability for U.S. wheat producers and its value for their customers."



17 Member States Representing All 6 Wheat Classes

U.S. Wheat Activities

Market Analysis

 Assessing the supply and demand situation for short and long term needs

• Evaluating the need for assistance

Trade Servicing

- After sales service
- Problem solving
- Identify training needs
- Trade Teams

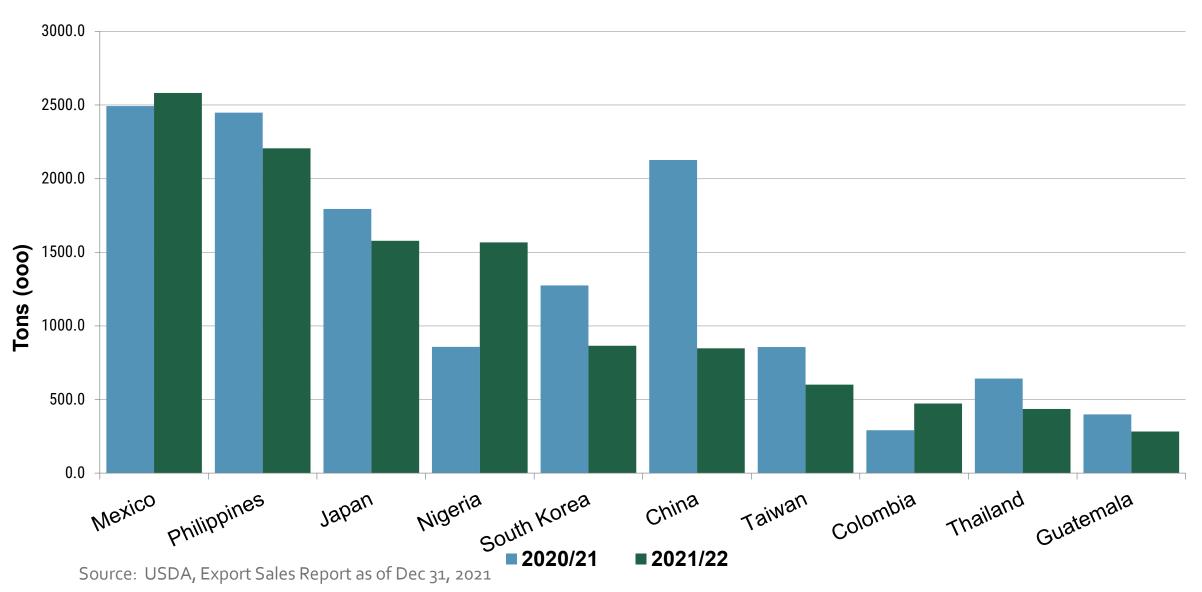
Technical Assistance

- Information sharing
- Technical training
- Trade Policy

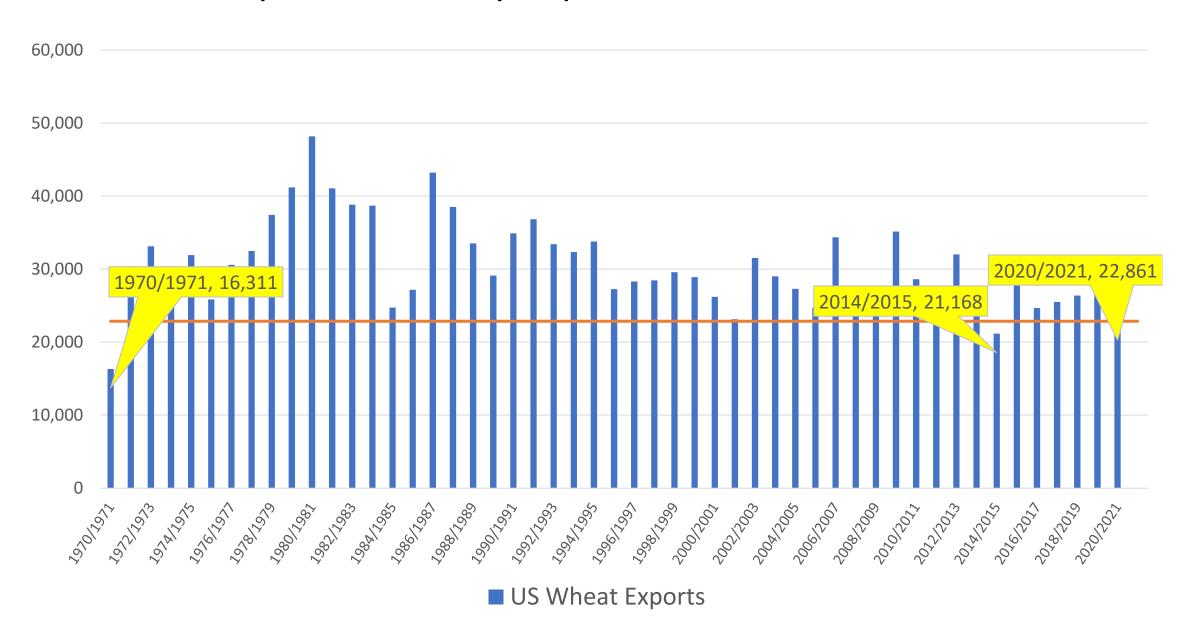


Top Ten Commercial U.S Wheat Markets

(All Wheat Classes: year-to-date)



Wheat Exports: Only up from here?



Proposed Rail Merger

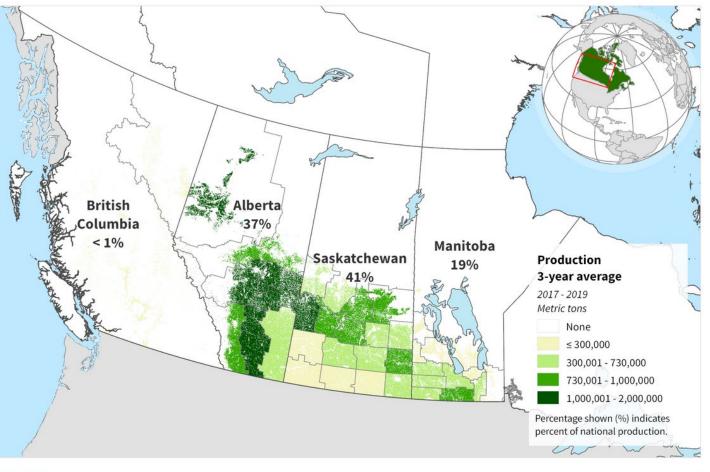
- Rail transportation is absolutely critical to wheat movement
- CP KCS merger proposal
- Expected Timeline

The Proposed Merger



Canadian Production Region Included

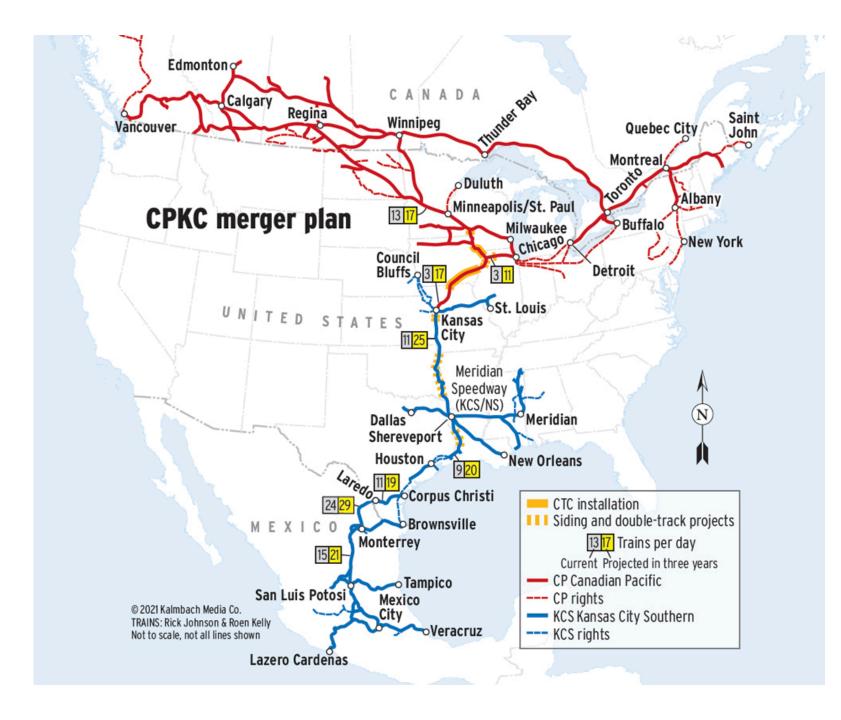
Canada: Spring Wheat Production





Sources: Statistics Canada, Estimated production by Small Area Data (SAD) Region; Agriculture and Agri-Food Canada (AAFC), Annual Crop Inventory 2018

Projected rise in rail traffic



USW Comments Content

Opposed in current form, if approved, seeking conditions be imposed on merged railroad

Strong highlight and attempt to educate about the importance of the rail generally, and especially the KCS line to US wheat exports

Past work on Canadian rail practices has demonstrated unfair advantages: grain rail revenue cap and past mandated grain volumes

Ongoing concerns about lack of competition among class one railroads

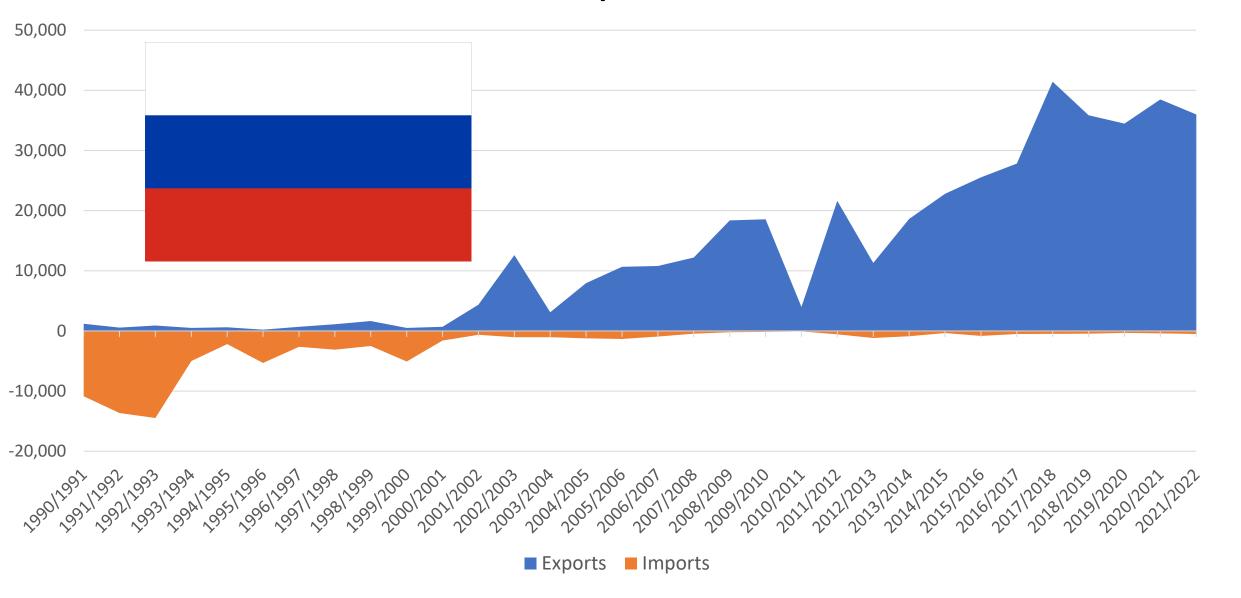
Canadian producers have tools to provide additional leverage vis a vis their railroads: competitive switching and final offer rate arbitration

If approved, need actual rate transparency, especially since this is potentially the first tri-national railroad

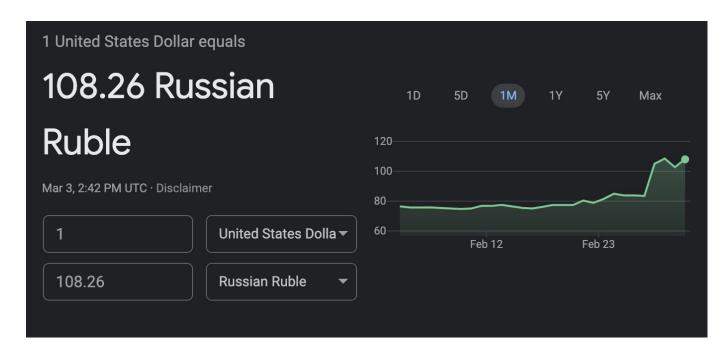
Three Big Trends

- World's largest exporter
- World's largest stockpiler
- World's wheat export roller coaster

Global Wheat Competitor



Russian Export Taxes



Attempting to keep domestic food prices low, Russia has had an export tax of nearly \$100/MT



MEANWHILE CLIMATE ARTS AND LIFE VIDEOS

Russian Inflation Continues Climbing, **Sets New 5-Year High**

Prices have risen by 7.4% over the last year — almost twice the government's target.

Updated: Oct. 7, 2021





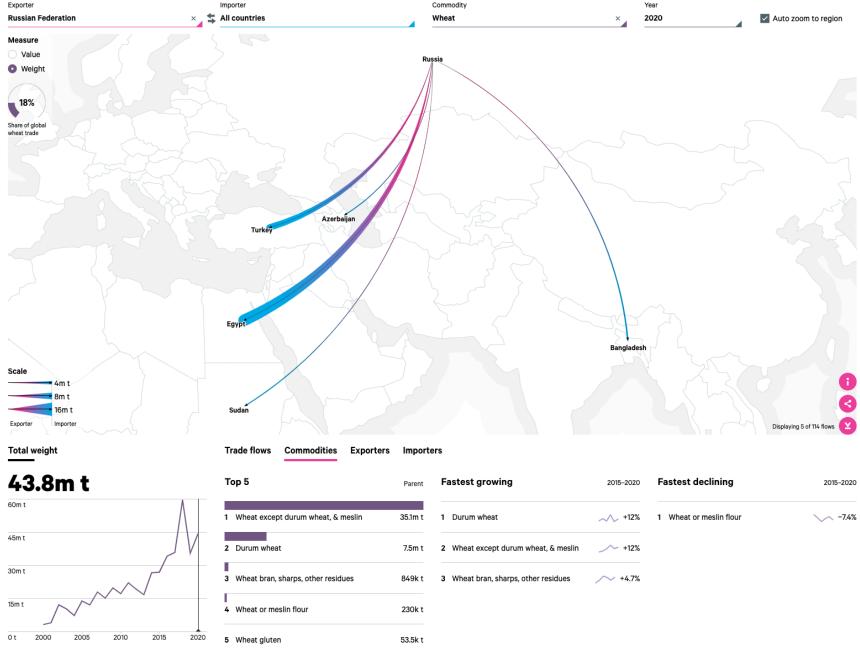




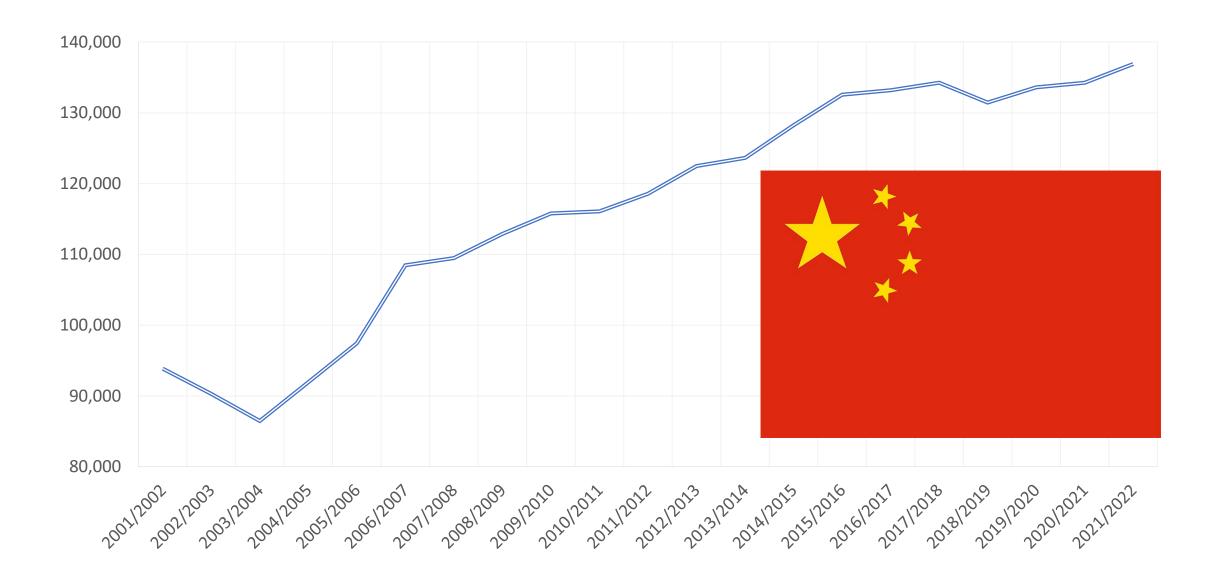
Inflation has hit Russia hard following years of stagnant living standards.

Uncertain Future



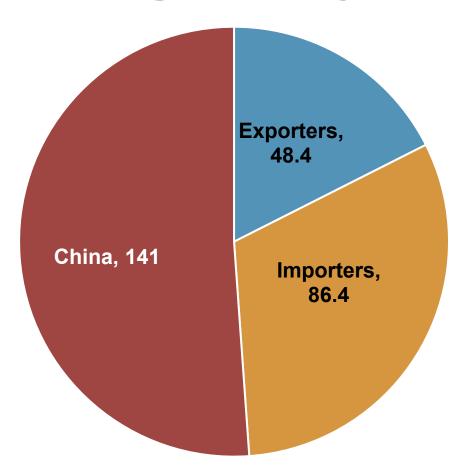


Production in the World's #1 Producer



Resulted in high priced domestic wheat and massive stocks

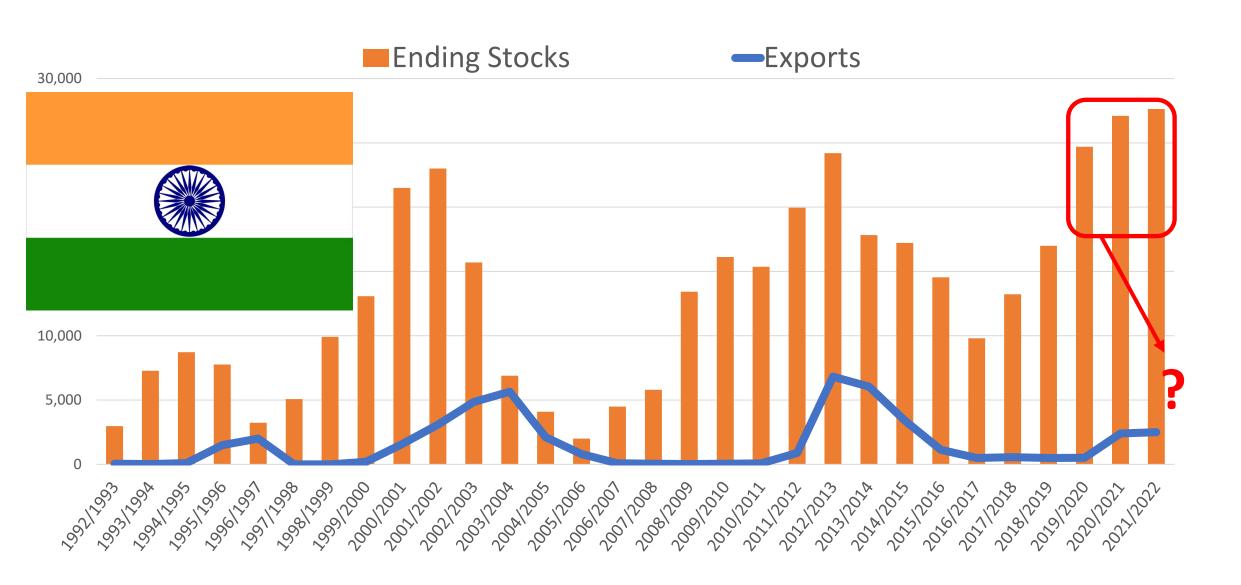
World Ending Stocks by



But yet, becoming a major

import ^C ountry	2016/2017	Country	2021/2022
1 Egypt	11,181	Egypt	13,000
2 Indonesia	10,190	Turkey	11,000
3 Algeria	8,414	Indonesia	10,400
4 Brazil	7,349	China	10,000
5 European Union	6,287	Algeria	7,500
6 India	5,995	Bangladesh	7,400
7 Japan	5,911	Brazil	6,500
8 Philippines	5,708	Philippines	6,400
9 Bangladesh	5,556	Nigeria	6,000
10 Vietnam	5,535	Japan	5,600
11 Morocco	5,479	Iran	5,500
12 Mexico	5,370	European Union	5,300
13 Nigeria	4,972	Mexico	5,100
14 Turkey	4,732	Morocco	4,500
15 Korea, South	4,667	Korea, South	4,100
16 China	4,410	Vietnam	3,650
17 Thailand	4,064	Yemen	3,600
18 Saudi Arabia	3,720	Saudi Arabia	3,500
19 Yemen	3,278	Uzbekistan	3,200
20 United States	3,212	United States	3,130

The Roller Coaster - #2 Global Consumer

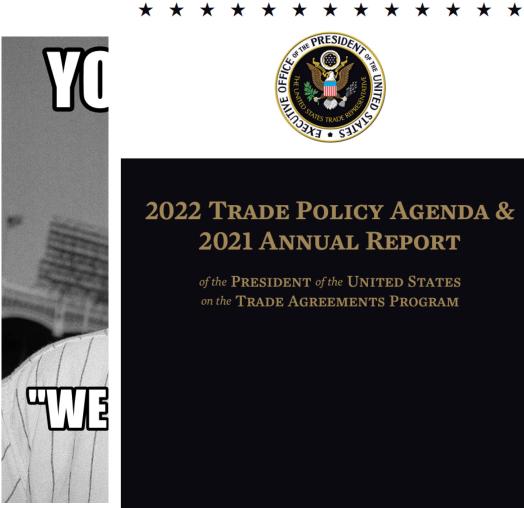


Past Indian wheat destinations

Export Market (CY 2013, 2014)	Value (USD)
South Korea	\$457,202,712
Ethiopia	\$356,767,928
Indonesia	\$231,711,744
Thailand	\$38,954,880
Malaysia	\$52,742,807
Philippines	\$41,175,481
Saudi Arabia	\$19,274,347
Taiwan	\$23,766,797
Qatar	\$14,311,154
Bahrain	\$1,928,518
Mozambique	\$1,813,940

- In 2013/14 India overnight became a major wheat exporter, selling stocks in excess of more than 8 MMT.
- Exports were marked by low quality and tended toward price-sensitive markets.
- But also found significant amounts dumped into key US wheat markets.
- 2019 DTB study found India exceeded subsidy limits by 60%.
- 2020 lowa State study found these subsidies cost US wheat farmers more than

The Biden Administration So Far on Trade





Vocal positioning that trade has harmed many segments of the US populace

First Year: Largely Status Quo to Defensive

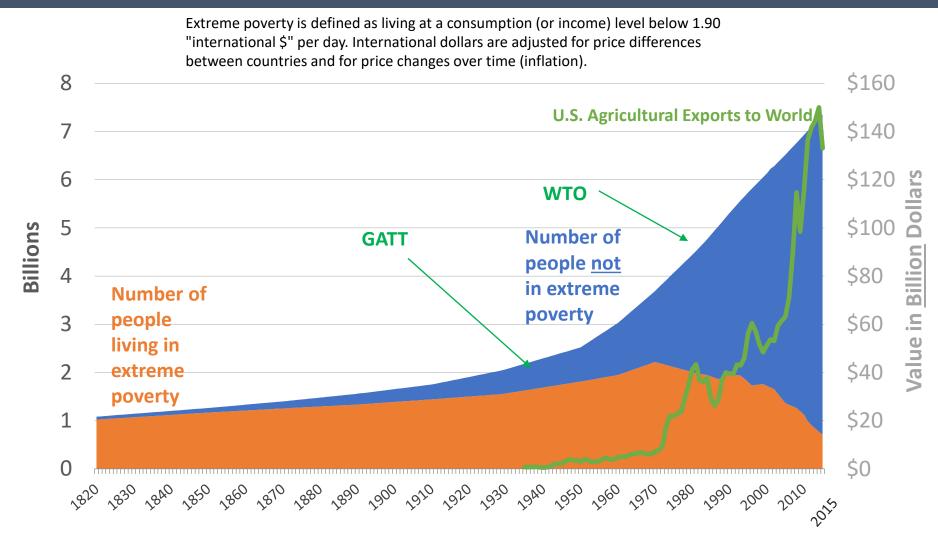
- Trade agreements are seen as taking a back seat to many other domestic issues (UK and Kenya on ice)
- Neither Ag negotiator or U/S for Trade are in place
- Did not seek continued Trade Promotion Authority (expired this summer)
- Kept China tariffs in place

The Near Future: Trade Policy agenda released this week

- No new FTA's/market access via tariff negotiations
- Enforcement of existing agreements, largely on worker's rights and environmental standards

The Fruits of Globalization

World Population Living in Extreme Poverty: 1820-2015



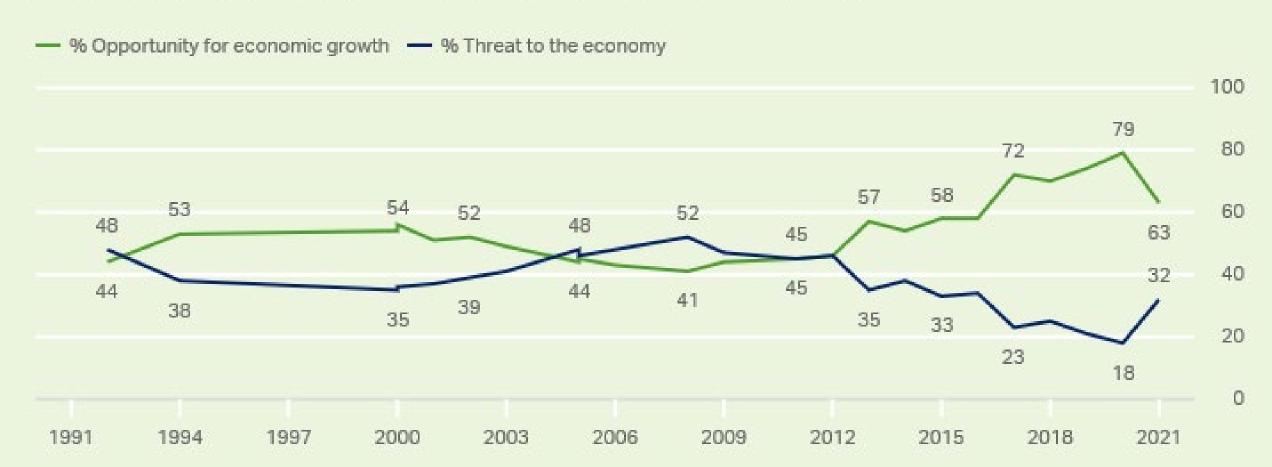
Slide from: Sources: Jason Hafemeister, USDA Acting U/S Trade and Foreign Ag

Max Roser and Esteban Ortiz-Ospina (2017)

USDA Economic Research Service – Foreign Agricultural Trade of the United States (FATUS)

Americans' Positive Views of Foreign Trade Drop Sharply

What do you think foreign trade means for America? Do you see foreign trade more as an opportunity for economic growth through increased U.S. exports or a threat to the economy from foreign imports?



GALLUP



Multilateral Trade Forums – AKA the WTO

- Major driver of ag trade growth
- Status of current negotiations
- US benefits from dispute settlement



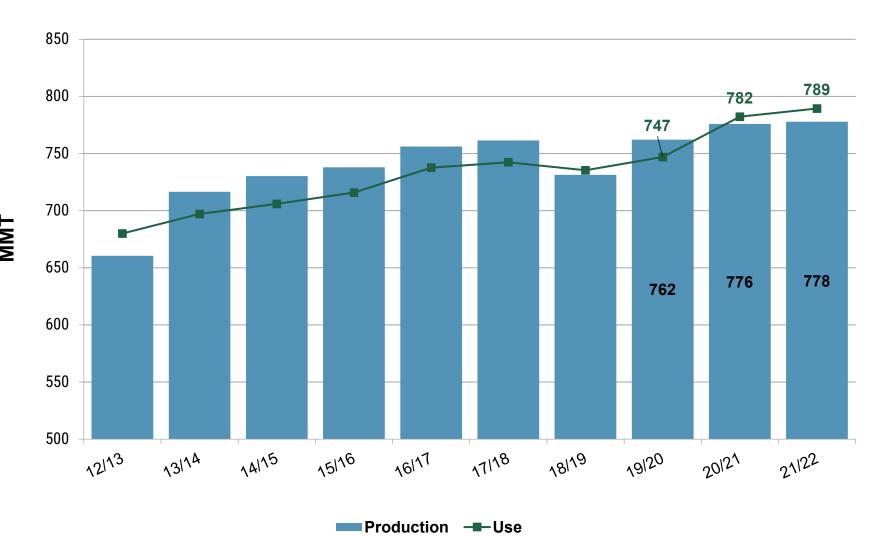
The WTO and Agriculture

Large gains from trade liberalization and historical outcomes – Agreement on Agriculture, SPS and others.

But new negotiated outcomes have been stalled for nearly two decades.

- Does that make the WTO irrelevant?
- What would we want out of a new negotiating function?

World Wheat Production & Use



- 2020/21 global wheat production up 1% to reach a record high of 776 MMT
- Global consumption forecast at 789 MMT, the highest on record, and up 2% from Nov report
- US exports down to 22.9 MMT

Source: USDA, Jan 12, 2022