

Texas Wheat PRODUCERS NEWS

OCTOBER 2019

BRAZILIAN CUSTOMERS GET FIRSTHAND LOOK AT TEXAS WHEAT RESEARCH



The Texas Wheat Producers Board hosted a trade team consisting of flour milling executives from Brazil on June 25-27 in College Station. The team was accompanied by U.S. Wheat Associates (USW) staff from Santiago, Chile.

The visit followed the announcement that Brazil would implement a tariff rate quota for wheat under their World Trade Organization commitments. Once implemented, the agreement affords the U.S. the opportunity to compete for tariff-free access of 750,000 metric tons of wheat annually.

The trade team had the opportunity to tour several wheat research facilities at Texas A&M University. After an overview from Dr. Amir Ibrahim of the Texas A&M wheat breeding and research program, the participants visited the Cereal Quality Lab, Norman Borlaug Institute for International Agriculture, Texas A&M AgriLife Genomics and Bioinformatics Service and the Gene Editing Lab. Trade team members also had the opportunity to talk one-on-one with researchers and farmer representatives throughout the visit.

Research projects discussed included some of those funded by the Texas Wheat Producers Board through the statewide producer checkoff.

“Our objective was to demonstrate the quality of U.S. wheat, while discussing advancements in breeding techniques, genetic research and improved milling and baking characteristics led by scientists in Texas,” said Texas farmer Ben Scholz. “Developing relationships through trade team visits is a vital part of our efforts to increase exports.”

Brazil is one of the world's five leading wheat importers, and due to preferential treatment for Argentina, Paraguay and Uruguay under the Mercosur trading bloc, U.S. market share has been inconsistent over the years. In 2018, hard red winter wheat accounted for 83% of U.S. wheat exports to Brazil and soft red winter wheat accounted for the remaining 17%. Brazilian wheat consumption has been rising steadily for 40 years and the general upward trend is expected to continue. Consumer trends have also shown growing interest in whole grains.

The board continues to work with USW to establish closer relationships with international customers, including Brazil, and keep them informed of the high-quality selection provided by growers in the U.S. and Texas.

DATES TO REMEMBER

November 2-6

Wheat Industry Fall Conference

December 2-3

Texas Wheat Producers Board Annual Meeting

December 4

Texas Wheat Symposium

December 6

Market Facilitation Payment Enrollment Deadline

CROP UPDATE

Texas wheat harvest was considered 100% complete during the week of July 14. The crop was 18% excellent, 41% good, 38% fair, 2% poor and 1% very poor in the final National Agricultural Statistics Service (NASS) crop progress report. The July 2019 Crop Production report left planted acres unchanged at 4.5 million acres.

Crop conditions were varied across the state. Wheat in the Coastal Bend and South Texas had good protein at 13-15% and test weights over 58 pounds. In the Blacklands, protein and yields were widespread, averaging about 11% and 50 bushels per acre, respectively. Yields averaged about 30 bushels per acre in the Rolling Plains and test weights were average. The South Plains had a variety of yields, ranging from the teens to well over 80 bushels per acre. There were pockets of protein, but for the most part, it stayed close to 11%. Test weights were good. In the Panhandle, yields were extremely high, with some producers reporting well over 100 bushels per acre and averaging 40 bushels per acre. Because of moisture throughout planting and growing stages, protein stayed below 12%.

Test weights were varied but good, with many samples of 61 pounds and over.

Average statewide protein was estimated at 11.2% and test weight was 60.6 pounds per bushel. According to NASS, statewide yield was 35 bushels per acre, the highest yield in 12 years. The highest yield on record for Texas wheat was 37 bushels per acre in 2007.

The August 2019 Crop Production report showed Texas wheat production at 77 million bushels, up 38% from 2018. Acres harvested for grain increased 26% over last year at 2.2 million acres.

As of September 16, winter wheat was 4% planted in Texas, compared to 12% in 2018. Producers were concerned about dry conditions during planting. Over 50% of the state experienced drought during the month of September, with much of the impacted areas within wheat-growing regions. At this time last year, about 67% of the state was experiencing drought conditions.

TEXAS WHEAT PRODUCTION AS OF AUGUST 12, 2019 VIA NATIONAL AGRICULTURAL STATISTICS SERVICE

YIELD PER ACRE	HARVESTED ACREAGE FOR GRAIN	TOTAL PRODUCTION IN BUSHEL
35 bushels	2.2 million	77 million

USDA ANNOUNCES ASSISTANCE PACKAGE

In response to trade damage from retaliation and trade disruption, the U.S. Department of Agriculture (USDA) announced the development of a support package for farmers in 2018. The package included three programs with the bulk of the funds paid out in direct payments to farmers under the Market Facilitation Program (MFP).

The first iteration of the MFP was paid out in two installments and offered wheat producers \$0.14 per bushel based on USDA's estimate of trade impact for the commodity. In contrast to the 2018 program, the second iteration of MFP provides payments on eligible planted acres at established county rates ranging from \$15 to \$150 per acre.

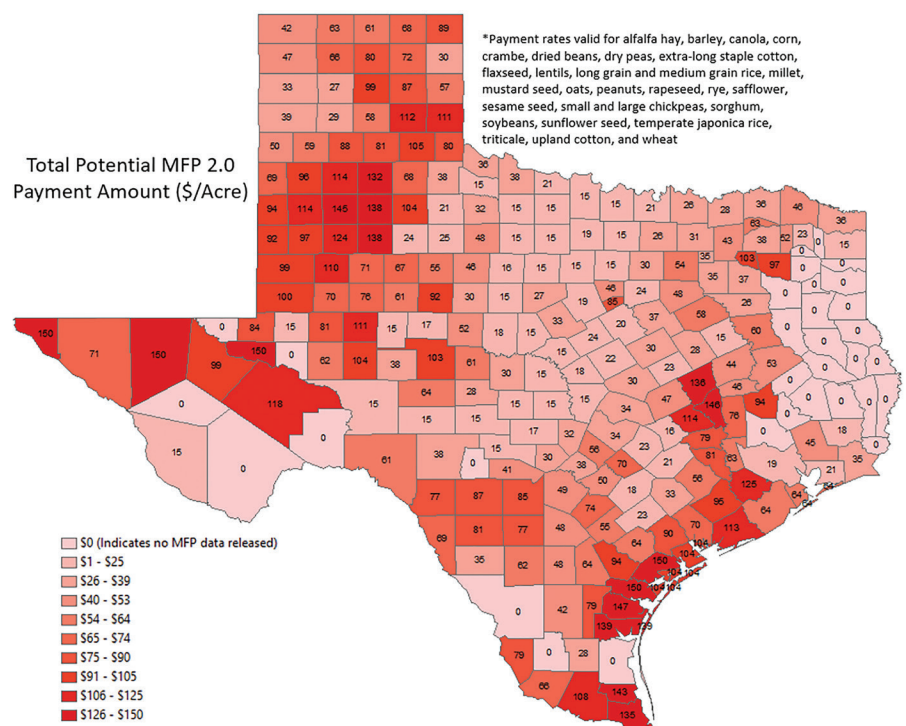
According to USDA, the county payment rates were based on historical fixed average area and yields. The total potential payment amount for non-specialty crops is the eligible area multiplied by the non-specialty county rate per acre.

Throughout the development of MFP, members of the Texas Wheat Producers Association and National Association of Wheat Growers advocated for improvements that would benefit wheat farmers across the country. Several suggestions made by the groups were included in the program's final version, including an increase in the payment limit, moving away from a per-bushel payment that did not provide adequate assistance for disaster areas and the allowance of exceptions to the 2018 planted acre cap.

The sign-up period for the program opened on July 29 and the first round of payments began in August. The first payment will be calculated at the higher of either 50 percent of the established county rate or the minimum \$15 per acre. USDA announced second and third payments were possible and would be evaluated based on market conditions and trade opportunities.

Another benefit of the assistance package comes in the way of the

Agricultural Trade Promotion (ATP) program, which provides funds for organizations to develop new markets and build on existing trade relationships. To date, U.S. Wheat Associates (USW) has been awarded more than \$10.8 million in ATP funds. As a member of USW, the Texas Wheat Producers Board has already been able to see the benefits of ATP-funded programs. In June, Texas wheat staff attended a conference in Mexico that brought together wheat farmers, members of the grain trade and Mexican flour millers to focus on expanding wheat trade between the two countries.



Source: Justin Benavidez, Texas A&M AgriLife Extension Service
Amarillo AgEcon: <https://agrilife.org/amarilloagecon/>

FARM PROGRAM DECISION TOOL NOW AVAILABLE

The Agricultural and Food Policy Center (AFPC) at Texas A&M University has developed a tool for producers who are making program elections under the 2018 Farm Bill.

The Farm Bill Decision Aid tool is designed to help farmers make the best decision for their individual operations based on farm-specific data. The tool focuses on the optional Price Loss Coverage (PLC) program yield update, which begins in 2020, and the selection between Agricultural Risk Coverage (ARC) and PLC for 2019 and 2020. Farm program enrollment for the 2019 crop year opened on September 3 and will conclude on March 15, 2020. Producers are encouraged to wait until enrollment opens for the 2020 crop year on October 7 so paperwork for both years can be completed during one office visit.

While farmers consider their options for the next crop year, details of the previous program cycle are being finalized. In late August, the U.S. Department of Agriculture announced the final Marketing Year Average Price for the 2018 wheat crop at \$5.16, resulting in a PLC payment of \$0.34 per bushel. The per-bushel rate will be paid on 85% of base acres multiplied by Farm Service Agency (FSA) program yields. Under the 2014 Farm Bill, more than 90% of Texas wheat base acres were enrolled in the PLC program.

Throughout the negotiation process of the 2018 Farm Bill, the Texas Wheat Producers Association advocated for many of the positive changes included in the final legislation. Significant changes, aside from the PLC program yield update, include the development of the Effective Reference Price provision, which will allow for reference prices to increase under certain market situations; annual elections for ARC and PLC beginning in crop year 2021; increased marketing loan rates for wheat and other crops; removal of Loan Deficiency Payments and Marketing Loan Gains from payment limits; expanded definition for family members under the actively engaged rule; expansion of the Environmental Quality Incentives Program; improvements to FSA loans including increased loan limits and restoration of critical trade promotion funding.

In the year ahead, the association will continue to work with Congress and partners like the AFPC to ensure that farmers have the necessary resources to understand and participate in farm programs that benefit their operations.

The Farm Bill Decision Aid tool is available online at <https://www.afpc.tamu.edu/tools/farm/farmbill/2018>.

TWPA ADVOCATES FOR USMCA PASSAGE



TWPA representatives with NAWG staff and officers outside of the USTR office.

In September, members of the Texas Wheat Producers Association traveled to Washington, D.C., to urge legislators to pass the United States-Mexico-Canada Agreement (USMCA). Association representatives met with Texas Congressmen Conaway, Ratcliffe and Wright, staff from nine additional congressional offices, U.S. Department of Agriculture (USDA) trade counsel Jason Hafemeister as well as other USDA and United States Trade Representative staff members.

Texas Wheat members also attended a Farmers for Free Trade rally on September 12, which was highly attended by members of Congress. As the president of the National Association of Wheat Growers, Texas farmer Ben Scholz was able to provide brief remarks during the rally.

“Over the past five years, Mexico has consistently been the top market for U.S. wheat exports,” said Scholz. “USMCA retains tariff-free access to imported U.S. wheat for our long-time flour milling customers in Mexico. Further, the agreement takes an important step towards fixing the Canadian grain grading system which automatically designates U.S. wheat imported as the lowest grade wheat which puts America’s wheat growers at a competitive disadvantage.”

Long-term preservation of tariff-free wheat market access in Mexico is vital to Texas wheat farmers. In 2018, the value of Texas agricultural exports to Mexico overall was \$863 million and wheat specifically was \$19.8 million, making Mexico the largest buyer of Texas wheat. Under USMCA, there will also be a likely increase in sales to the Canadian market due to changes in Canada’s grain grading system, specifically the requirement of any Canadian registered varieties grown in the U.S. to be treated like Canadian wheat when sold in Canada. Currently, any wheat varieties grown in the U.S. are automatically given the lowest grade for that grain in Canada. The value of Texas wheat exports to Canada was \$617,000 in 2018. Overall, trade with Canada and Mexico accounts for 43% of state exports.

WHEAT FOODS COUNCIL LAUNCHES "BREAD. A SLICE OF LIFE" CAMPAIGN

The Wheat Foods Council (WFC) recently launched a campaign to promote bread amid the potential implementation of a breadbasket checkoff. The group trademarked the phrase "Bread. A Slice of Life" and will release advertisements in the coming months featuring the tag line.

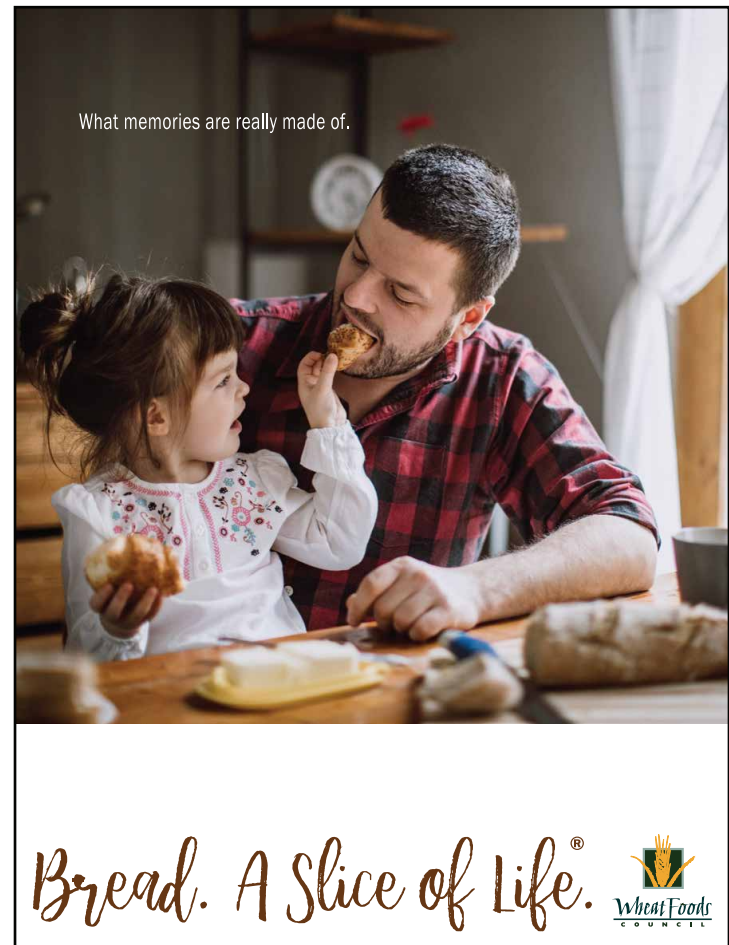
The breadbasket checkoff, which was initially proposed as far back as 2013, was submitted by a steering committee in spring 2019 and is awaiting review by the U.S. Department of Agriculture (USDA). Once USDA releases the details of the checkoff, there will be a 60 day comment period, followed by a possible three-year trial period based on feedback.

In the proposal submitted to USDA, the checkoff would have an annual budget of \$15 million, of which 85% would be paid by bakers and 15% by millers, funded by a \$0.16 per hundredweight (CWT) collection on wheat flour used to bake breadbasket products. Bakers would collect the millers' remittance. There would be an exemption for operations using or selling less than \$750,000 CWT of wheat flour.

Breadbasket products included in the checkoff would be fresh and frozen sliced bread and unsliced bread, rolls, buns, bagels, naan, pita and other flatbread, English muffins, and biscuits.

Although WFC is not directly involved in the development or implementation of the breadbasket checkoff, the organization is invested in the promotion of wheat consumption. As a member of WFC, the Texas Wheat Producers Board participates in consumer education and will continue to utilize resources to increase awareness about wheat nutrition.

Look for "Bread. A Slice of Life" advertisements in milling and baking publications.



Texas Wheat Representatives

Jody Bellah, Throckmorton
Scott Born, Ferris
Collin Bowers, Spearman
David Cleavinger, Wildorado
Chet Creel, Newcastle
Bryan Clift, Stratford
Ken Davis, Grandview
Glen Gibson, Lometa
Scott McGarraugh, Perryton
Gary Murphy, Dawson
Tyler Norman, Sherman
Ben Scholz, Lavon
Corby Shadid, Panhandle
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