Wheat Markets for Montana Producers: Global,National, and Policy Perspectives

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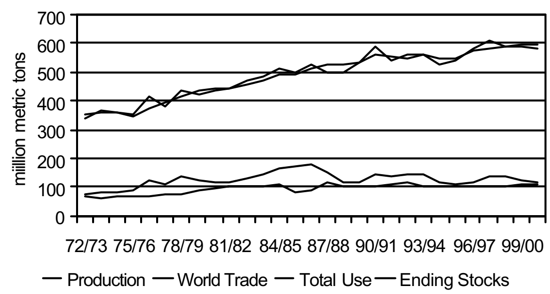
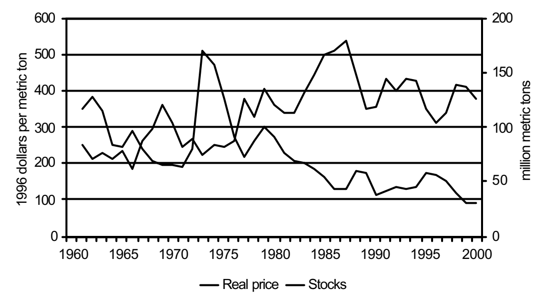
World Wheat: Supply and Demand, 1972–2000



Outline

- An Overview of World Wheat Markets
- Major Wheat Importers and Exporters
- Wheat Production, Consumption, and Trade in Selected Countries
- World Production and World Prices
- U.S. Production and U.S. Wheat Prices
- The World Durum Wheat Market

Real World Wheat Prices and World Stocks, 1961–2000



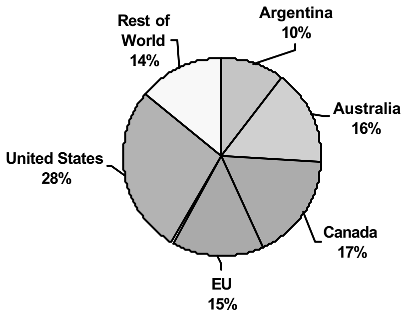
An Historical Overview of World Wheat Markets

- World Wheat Production, Consumption, Stocks and Trade
- World Wheat Prices

Major Wheat Importers and Exporters

- Major Exporters
- Major Importers

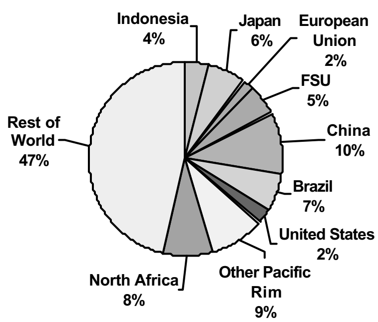
Major Wheat Exporters, 1999–2000
(percent of market share)



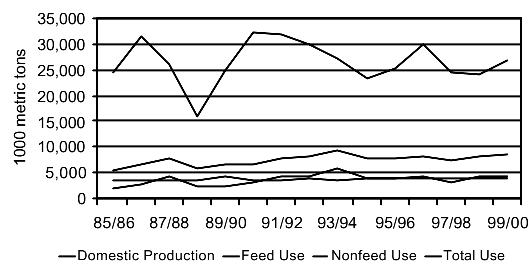
Wheat Production and Use in Selected Countries

- Canada
- Australia
- The European Union
- Argentina
- The Former Soviet Union
- China

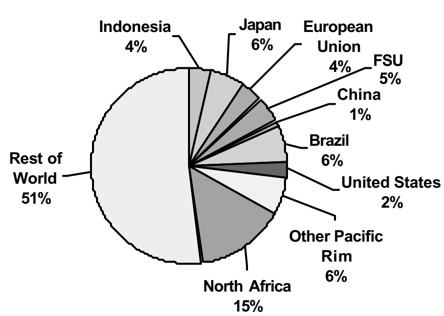
Major Wheat Importers, 1994–1995
(percent of market share)



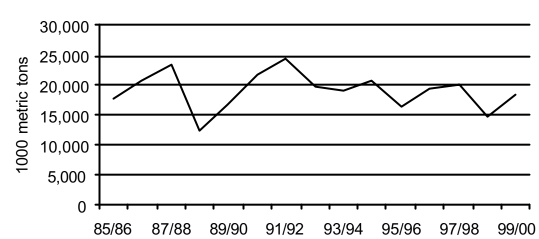
Canada's Wheat: Supply and Disappearance, 1985–2000

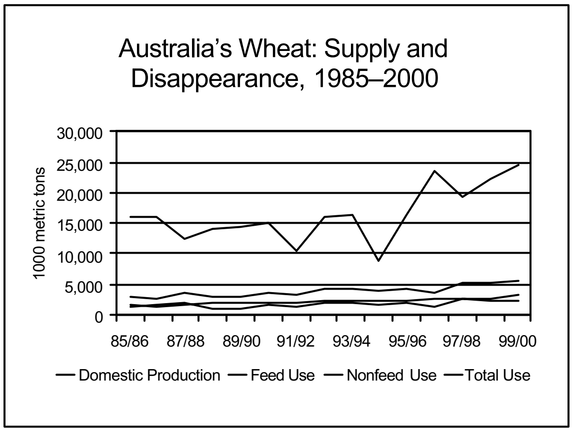


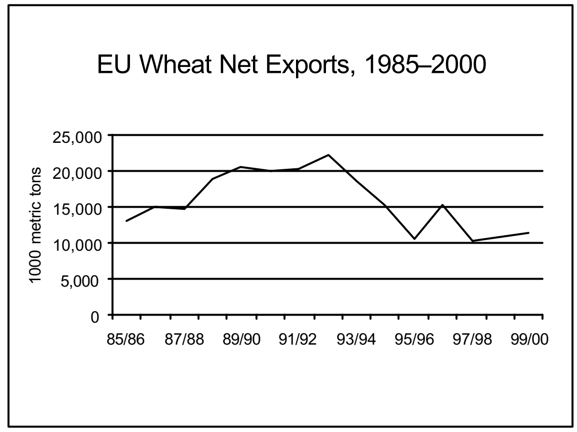
Major Wheat Importers, 1999–2000
(percent of market share)

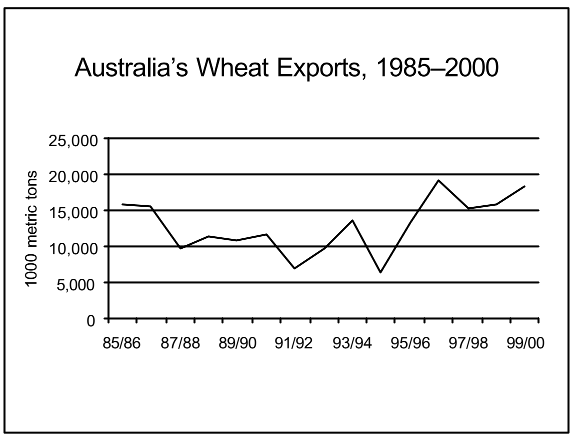


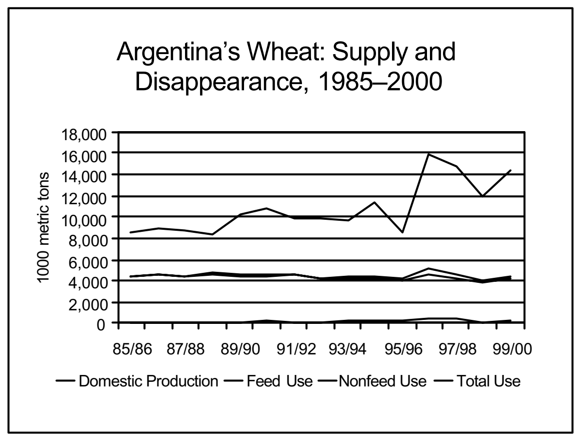
Canada's Wheat Exports, 1985–2000

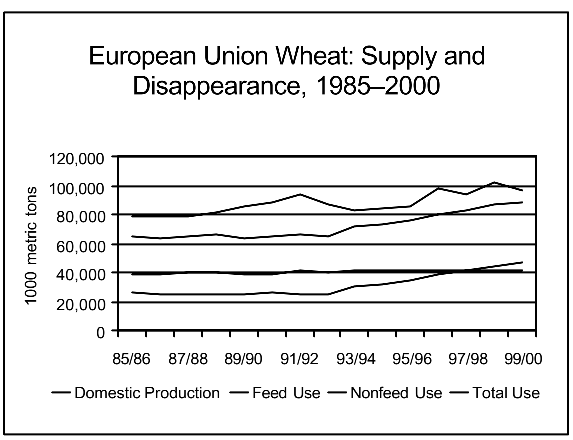


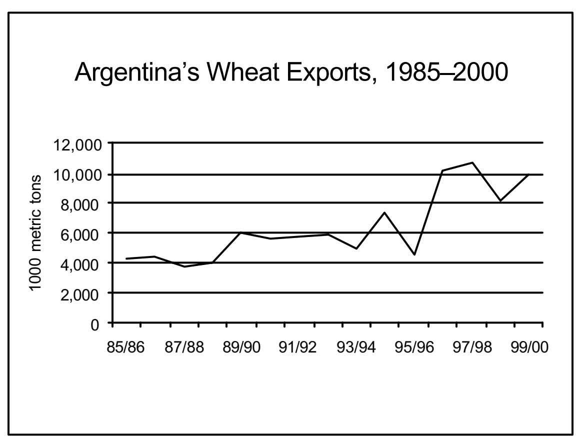

Australia's Wheat: Supply and Disappearance, 1985–2000
1000 metric tons
30,000
25,000
20,000
15,000
10,000
5,000
0
85/86 87/88 89/90 91/92 93/94 95/96 97/98 99/00
Domestic Production
Feed Use
Nonfeed Use
Total Use


EU Wheat Net Exports, 1985–2000
1000 metric tons
25,000
20,000
15,000
10,000
5,000
0
85/86 87/88 89/90 91/92 93/94 95/96 97/98 99/00

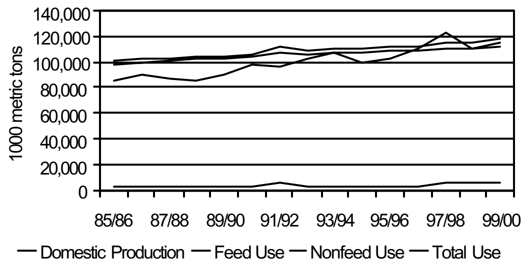

Australia's Wheat Exports, 1985–2000
1000 metric tons
25,000
20,000
15,000
10,000
5,000
0
85/86 87/88 89/90 91/92 93/94 95/96 97/98 99/00


Argentina's Wheat: Supply and Disappearance, 1985–2000
1000 metric tons
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
85/86 87/88 89/90 91/92 93/94 95/96 97/98 99/00
Domestic Production
Feed Use
Nonfeed Use
Total Use

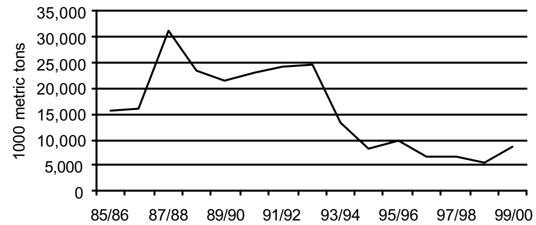

European Union Wheat: Supply and Disappearance, 1985–2000
1000 metric tons
120,000
100,000
80,000
60,000
40,000
20,000
0
85/86 87/88 89/90 91/92 93/94 95/96 97/98 99/00
Domestic Production
Feed Use
Nonfeed Use
Total Use


Argentina's Wheat Exports, 1985–2000
1000 metric tons
12,000
10,000
8,000
6,000
4,000
2,000
0
85/86 87/88 89/90 91/92 93/94 95/96 97/98 99/00

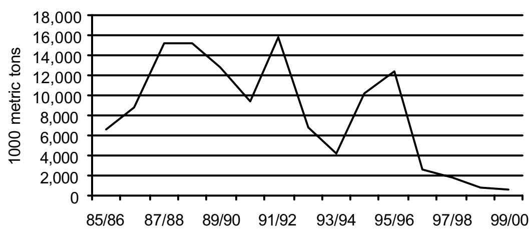
China's Wheat: Supply and Disappearance, 1985–2000



Former Soviet Union Wheat Imports, 1985–2000



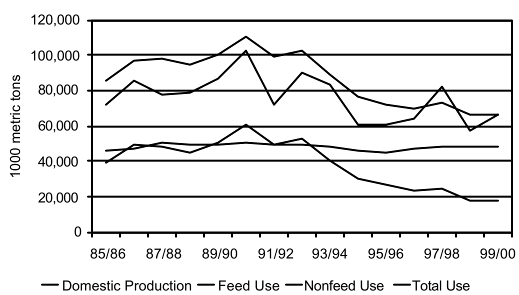
China's Wheat Imports, 1985–2000



World Production and World Prices

- World Wheat Production in the mid and late 1990s
- World Wheat Prices in the 1990s

Former Soviet Union Wheat: Supply and Disappearance, 1985–2000

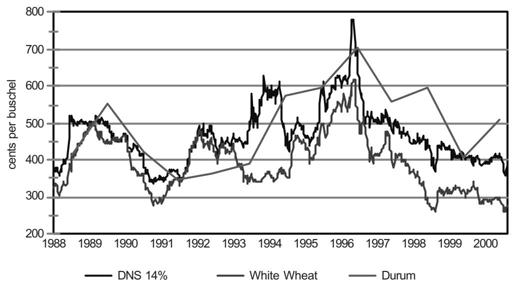


World Wheat Production: Local Marketing Years

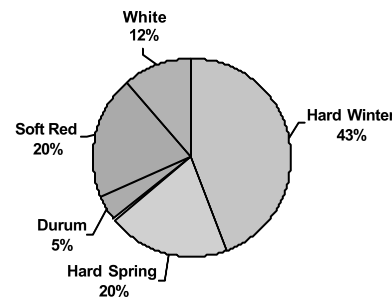
	1994–1995	1997–1998	1999–2000	2000–2001*
	1000 metric tons			
Argentina	11,300	14,800	15,000	15,500
Australia	8,903	19,417	24,100	23,000
Canada	23,122	24,280	26,850	26,500
China	99,300	123,389	113,880	102,000
India	59,840	69,350	70,780	74,300
Russia and Ukraine	32,100	53,304	48,400	46,400
EU	84,541	94,181	96,888	104,945
Eastern Europe	33,962	34,345	28,645	27,500
Others	49,498	45,508	43,832	43,410
Subtotal	402,566	541,803	523,012	519,705
United States	63,167	67,534	62,662	61,594
World Total	524,750	609,337	585,674	581,299

*forecast

U.S. Pacific Northwest Wheat Prices, 1988–2000



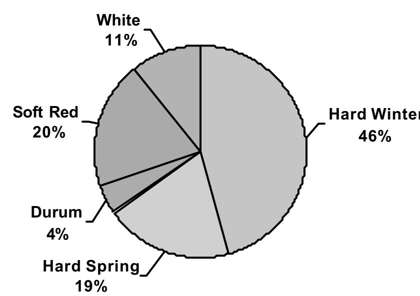
U.S. Production by Class of Wheat, 1991 Output Shares



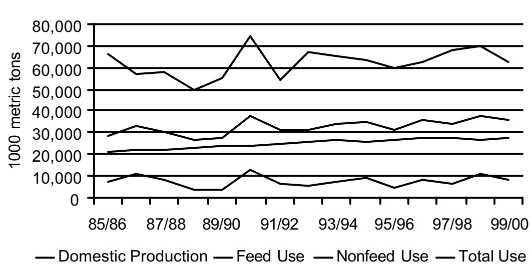
Wheat Production and Use in the United States

- Total wheat production and use the U.S.
- Changes in Production by Class of Wheat
- World and U.S. Wheat Prices

U.S. Production by Class of Wheat, 1999 Output Shares



U.S. Wheat: Supply and Disappearance, 1985–2000



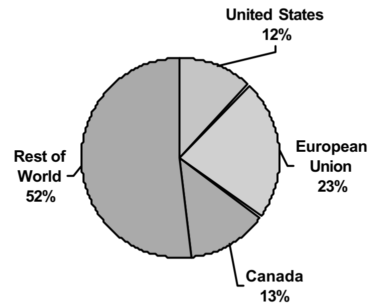
World Production Outlook: 2001 Harvests

- Canada 2001 production is likely to be 5 percent lower (25.4 million mts)
- Australia's late 2000 crop is forecast to be about 18 percent lower than in 1999
- Argentina's production for March 2001 uncertain
- EU 2001 production forecast (105 mmt) is 8 percent higher than for the 2000 crop.

World Production Outlook 2001 Harvests (cont.)

- China's 2000 actual production is lower than its 1999 production and publicly held stocks have declined substantially
- Russia's 2000 wheat harvest (37.5 mmt) is 3 percent higher than its 2000 harvest but the Ukraine's harvest (12 mmt) is 15 percent below the previous year's level.
- India's 2000 wheat production (74.5 mmt) was 4 percent higher than its 1999 output.

World Durum Production Distribution by Countries, 1999

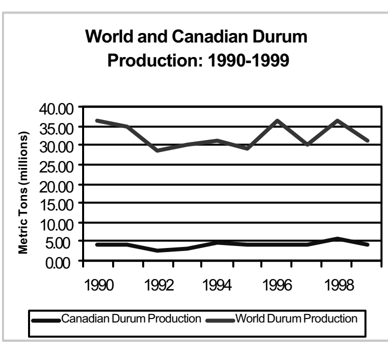


World Durum Wheat Markets

- Durum Wheat Production in Selected Key Producing Countries
- U.S. Durum Wheat Imports
- World Durum Wheat Prices

U.S. Durum Wheat

	Planted Area (million acres)	Production (1000 tons)
1995/96	3.44	2,784
1996/97	3.63	3,160
1997/98	3.31	2,390
1998/99	3.80	3,840
1999/00	4.64	2,706



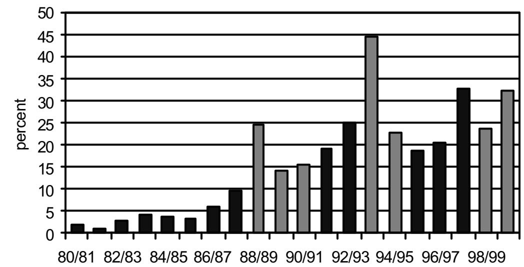
EU Durum Wheat

	Harvested Area (million acres)	Production (1000 tons)
1994	7.50	8,203
1995	7.75	7,086
1996	7.88	8,737
1997	7.93	7,375
1998	8.03	9,071
1999	8.65	7,150
2000	8.65	8,400

Canadian Durum Wheat

	Planted Area (million acres)	Production (1000 tons)
1994/95	5.65	4,689
1995/96	5.25	4,648
1996/97	5.47	4,352
1997/98	7.21	6,042
1998/99	4.40	4,010
1999/00	6.45	5,493

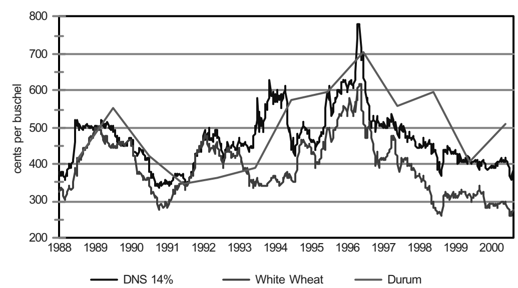
Imports as a Percent of U.S. Domestic Durum Wheat Production, 1980/1981–1999/2000



Total Durum Wheat Imports From Canada and the World for Selected Countries

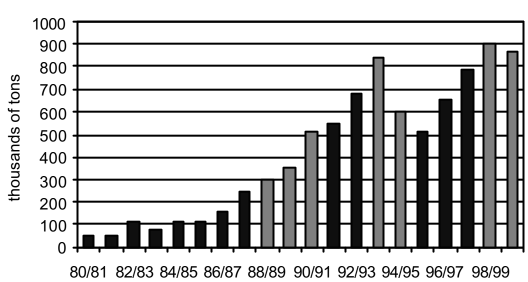
	Imports from Canada		Total Imports		Canada's Import Market Share	
	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98
Japan	203	184	250	300	81%	61%
E.C.	450	633	750	800	60%	79%
Algeria	1223	1948	1758	2658	70%	73%
United States	361	428	470	540	77%	79%

U.S. Pacific Northwest Wheat Prices, 1988–2000



U.S. Durum Wheat Imports, 1980/1981–1999/2000

(thousands of tons)



Policy Issues for the 2002 Farm Bill

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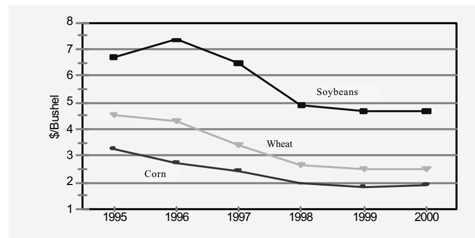
Outline

- The 2002 Farm Bill Economic Context
- Current Agricultural Policy
- Three Current Policy Proposals
- Constraints on Policy Options

Crop Prices

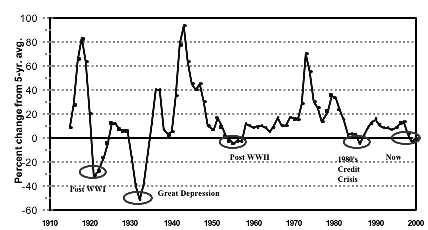


Economic Environment Surrounding Past Farm Legislation

- 1981: inflation of late 1970s => high loan rates and target prices
- 1985: drop in exports, rise in stocks, PIK, financial crisis => lower loan rates, target prices, generic certificates, EEP, CRP
- 1990: droughts, budget, base acres => flex acres, more flexible reserve policy
- 1996: strong commodity markets => FTF

Weak Agricultural Markets

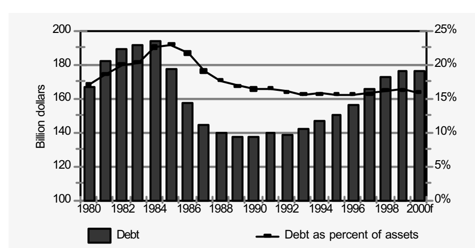
(change in U.S. farm cash receipts from 5-year average)



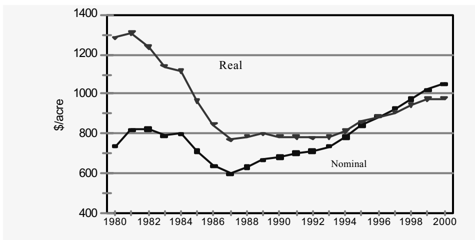
The Current Economic Context

1. Economic Boom and Federal Budget Surplus (but possibility of a recession by 2002).
2. Little inflation but relatively high real interest rates.
3. Currently food and feed grains crop prices are relatively weak (but this could change by 2002).

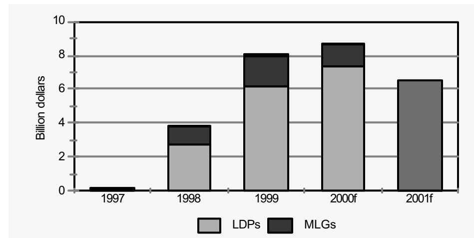
Farm Debt



Average Farm Real Estate Value



Countercyclical Price Support Payments



Current Farm Legislation: The 1996 Act

1. The FAIR Act abolished acreage controls such as base acres, flex acres, and set asides and also abolished target prices and deficiency payments.
2. Introduced production flexibility contract payments, (also often called market transition payments) for "program crops", including wheat.
3. Since 1998 these scheduled payments have been supplemented by considerable Market Loss Assistance Payments
4. Loan rate based programs (marketing loan and loan deficiency payments) were continued.
5. The CRP program was continued.

Major Legislation Since Farm Bill

- 1998 Emergency Appropriations ($6 billion in FY 1999)
- 1999 Emergency Appropriations ($9 billion in FY 2000)
- 2000 Agricultural Risk Protection Act ($5.5 billion in FY 2000; $1.6 billion in FY 2001)
- FY 2001 Appropriations ($3.5 billion in FY 2001)

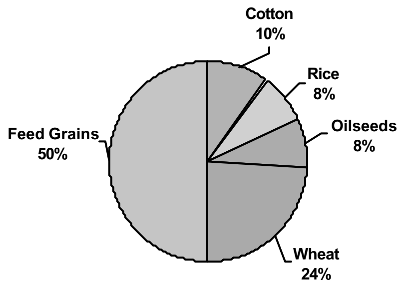
Planned Food and Feed Grain Production Flexibility Contract Payments, 1996–2002

Year	Wheat	Corn	Other Feed Grains	Total
		(billion $)		
1996	1.97	1.77	0.35	4.09
1997	1.43	3.43	0.47	5.33
1998	1.53	2.69	0.43	4.65
1999	1.48	2.60	0.42	4.50
2000	1.36	2.39	0.38	4.13
2001	1.10	1.92	0.31	3.33
2002	1.06	1.87	0.30	3.23

Current Payments to Wheat and Other Crop Program Producers

1. Production Flexibility Contract Payments provided under the 1996 Act
2. LDP and Marketing Loan Gain Payments (especially since 1998).
3. CRP Payments
4. Crop Insurance Indemnity Subsidies
5. Market Loss Assistance Payments provided under supplementary legislation

Allocation of Market Loss Assistance Payments, 2000



Proposals for 2002: Updating Production Flexibility Contracts

1. For each producer, up-date either or both
   (a) historical production flexibility contract acres (currently 1995 base acres)
   (b) historical program yields (currently 1985 proven yields)

   using each producer's historical production records (this maintains the de-coupled nature of the policy)

2. Develop a new schedule of payments with funding levels consistent with current federal support through MLA and MTA payments.

Proposals for 2002: Current Concerns

1. Many farm groups and legislators argue that there is an inadequate farm income safety net built in to the 1996 Act.
2. A few farm groups have urged a return to the 1990 legislation.
3. Some farm groups have expressed interest in a ***Modified Supplemental Income Plan*** discussed by Congressman Stenholme of Texas.
4. Some farm groups have proposed higher loan rates.
5. Some farm groups have proposed up-dating and permanently increasing funding Production Flexibility Contracts.

GATT Constraints

Under the 1994 GATT, the U.S. has agreed to limit payments to producers that are production distorting (Amber). Production flexibility contract payments can be viewed as non-production distorting (Green). Loan rate payments are definitely viewed as production distorting (Amber). Market Loss Adjustment Payments are viewed by many other countries as Amber.

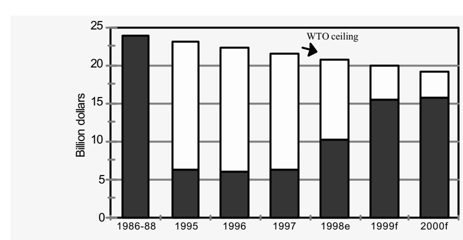
Proposals for 2002: The Modified Supplemental Income Plan

1. For each crop, calculate the average per acre value of production for the five year period 1995-1999 where the crop is valued at the greater of the U.S. Farm Price or the Loan Rate for the crop. This is called the ***Reference Period Value per Acre***

2. Calculate a per acre payment for eligible acres equal to:
   Reference Period Value/Acre - Current Value/Acre
   or zero if the current value exceeds the reference value.

3. In addition, producers continue to receive current production flexibility contract payments.

U.S. Domestic Support Levels



A Brief Summary

1. Several Proposals for the 2002 Farm Bill are already on the Table
2. Some will be better for Montana producers than others.
3. Outcomes will be more positive if a federal budget surplus is continued but that crucially depends on unemployment remaining relatively low.
4. This is the time for farm groups to be involved in working with the Montana Congressional delegation.

A Brief Summary (cont.)

4. This is the time for farm groups to be involved in working with the Montana Congressional delegation.
5. Many farm and commodity groups (especially cotton) are already heavily in the game.