

# Wheat Sheet

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## Wheat Market – What is going on?

Mike Krueger, *The Money Farm*, [www.themoneyfarm.com](http://www.themoneyfarm.com)

US and world wheat prices have soared to new all-time highs on extremely tight supplies and very strong world demand. Consumption of wheat has outpaced production in seven of the last 10 years and ending supplies have been steadily declining. The 2006 and 2007 world wheat crops were both disasters. This was the first time in modern history that we've had back to back small world crops. Consecutive major droughts in Australia combined with troubles in every other major wheat producing country have drawn world wheat supplies down to their smallest levels ever. US wheat ending supplies are now projected to be the smallest in 60 years. The increasing pace of wheat consumption in the world caused by increasing population and strong economies finally pushed the wheat market to the wall. Durum was the first class of wheat to discover how high prices can go when demand exceeds supply. Durum prices have exceeded \$20 a bushel and there is

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## California Wheat Bulletin

*Weekly notice of disease conditions and management recommendations*

The California Wheat Commission publishes a free weekly wheat bulletin that provides information on the disease and stress conditions around the state as well as recommendations for disease and crop management. The first 2008 bulletin will be published January 28.

California small grain farm advisors and the Commission started the bulletin in January of 2006 as a response to an increasing number of stripe-rust races that were developing in California. Today, many new resistant varieties have been developed and planted around the state. Yet, disease conditions and their effect can be surprising, and one of the best tools in a grower's arsenal is early detection.

Farm Advisors, grain handlers, growers, pest control advisors, wheat breeders and University research staff provide the information in this bulletin. Readers are encouraged to ask questions about their crop, research, crop management or any other wheat issue. Responses will be published in the bulletin Thursday following the receipt of the question.

To receive this free bulletin, simply send an e-mail or fax a request to the California Wheat Commission at [info@californiawheat.org](mailto:info@californiawheat.org) or fax (530) 661-1332.

*Information is Power!*

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still demand for durum. Soft white wheat hit the wall next with prices trading between \$13 and \$14. Hard red spring wheat prices are now above \$11 to the producer. What's even more amazing is that record high prices have yet to stifle demand. The fact is the world is learning that wheat demand is basically inelastic almost regardless of price. It is not just the shortage of wheat that has pushed wheat prices to all-time highs. World rice supplies are also very tight and rice prices are at their highest level in over 20 years. Soybean supplies will go from record large to near bottom levels in just one marketing year. Prices for almost every agricultural commodity are at or near record high levels.

The wheat market's attention will soon shift to new crop production prospects in both the world and the US. Most analysts are looking for a 6% to 7% increase in US winter wheat plantings in the January 11, USDA report. I would expect durum acres will also increase in 2008, but I am not looking for an increase in hard red spring wheat acres based on the great returns per acre in the northern plains for every other crop. My early guess on 2008 US wheat production is 2.350 billion bushels compared to 2.067 billion in 2007.

Even with this significant increase in production, US wheat ending supplies will still remain tight from an historical standpoint. In looking at the world wheat outlook, I am projecting a record world wheat crop, yet world ending supplies will still be the second smallest ever. We just can't solve the problem of tight supplies in one marketing year even with great crops. Should any production problems develop in 2008 supplies will get even smaller than the current year.

You can't talk about wheat without considering every other crop, especially those like corn and oil seeds that continue to be impacted by energy. The new energy bill mandates that even more corn will go into ethanol and that a significant percentage of vegetable oil (soybean, sunflower, palm, and canola) will eventually go into biodiesel. This will keep pressure on the demand for acres for several years to come and should keep commodity markets strong but volatile.

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## Management tips for 2008 crop

*Comments by University of California Cooperative Extension Specialist Lee Jackson on disease and crop management for 2008 to California Wheat Growers:*

As we enter the New Year and your wheat crop has emerged and become established, it is important for you to observe growth and development of the crop and to prepare for crop management decisions that you will need to make as the season progresses. You soon will need to consider supplemental fertilization and management of weed populations, diseases and other pests that may infest your crop. Information on all aspects of production is available in the *Small Grain Production Manual* (accessible from the UC Small Grains Website, <http://agric.ucdavis.edu/crops/cereals/cereal.htm>). Pest Management Guidelines for Small Grains also can be accessed from that website. If you observe unusual symptoms in your crop, or have questions on crop management or disease and pest control procedures, good sources of information are: 1) the UCCE Farm Advisor in your county, 2) your PCA, and 3) Lee Jackson, the UC Statewide Small Grain Specialist (available by email at [lfjackson@ucdavis.edu](mailto:lfjackson@ucdavis.edu) or by phone 530-752-0701). As the season progresses we will provide timely information on wheat management through the California Wheat Commission's Weekly Wheat Bulletin.

## How does the California Wheat Commission represent California wheat growers?

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Research → Variety Development  
→ Buyer Acceptance

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**Commission Laboratory.** In 1990, the California Wheat Commission opened its analytical laboratory. The laboratory analyzes California wheat quality to produce an annual Wheat Crop Quality Report that is distributed to potential buyers in both domestic and international markets. Commercial end-users use the laboratory to provide information on various types of wheat they are considering buying from California or as a quality-control tool to enhance their purchases.

The Commission also provides analysis for advanced experimental wheat varieties being developed at the University of California and it cooperates with private wheat breeders in evaluating promising new lines.

**UCD Breeding Program.** During the last five years the Commission was the major supporter of the UC Davis Wheat Breeding Program. This support resulted in the release of the durum wheat variety Desert King and the common wheat varieties Clear White, Patwin and Lassik. The support of the Commission was also essential to launch a National Program on Marker Assisted Selection in wheat that has been funded through two major grants from USDA totaling \$8.5 million (<http://maswheat.ucdavis.edu>). The Commission has helped the UC wheat research program to identify critical problems for the wheat industry in California. These research efforts have resulted in 65 peer reviewed scientific publications during the last five years that generated valuable information for the improvement of California wheat varieties

**UC Cooperative Extension Field Trials.** Varieties released in California are evaluated in the University of California's wheat variety trials for disease resistance, yield and end-use qualities. The UC Cooperative Extension operates the variety trials, which range from California's Imperial Valley to the Intermountain areas of Northern California. Results may be found on the Commission website,

[www.californiawheat.org](http://www.californiawheat.org), under Links – Research – University Agronomy Progress Report.

**Collaborator Program.** The Commission aims to help growers and researchers understand and meet the needs of California wheat buyers. In 1995, the Commission launched a program for domestic millers and end-users to evaluate new California varieties before they became commercially available. The results of these evaluations send signals back through the industry to indicate if breeding efforts are on track with the market. This program has also become an invaluable tool in developing relationships within the California wheat industry.

### **New International and Domestic Markets.**

California wheat is now finding a home in Cambodia, Taiwan and Mexico. The identification and pursuit of new markets can be a long and involved process. Opening a market often hinges on resolving market access issues or providing technical support. The Commission, with the assistance of US Wheat Associates, helps foreign buyers find the high quality wheat they want in California.

Domestic market development is an art in itself. The Commission staff and the services of the Commission laboratory provide information to U.S and California users on a daily basis. Local flour mills, bakeries and food processing companies utilize the Commission for sourcing, identifying qualities and useful wheat-blending options.

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### State and National Representation

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**US Wheat Associates.** California produces less than 2% of the nation's wheat crop. Most policy decisions regarding wheat take place at a national level. In order for California to address our state's concerns, the Commission has been an active member of U.S. Wheat Associates and takes a leadership role in national discussions. U.S. Wheat Associates is the

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industry's national market development organization working in 90 countries on behalf of America's wheat producers. Commission Chairman Mike Scriven currently is a member the **Joint International Trade Policy Committee**. California Wheat Commission Executive Director Bonnie Fernandez serves as the national chair for the **US Wheat Food Aid Working Group**. On average, 10% of the wheat exported from the United States is shipped through these programs. The goal of the working group is to assure that recipients of food aid receive the appropriate type of wheat and that the funds used for food aid are spent efficiently. Fernandez also served as the first chairman of the **U.S. Wheat Phytosanitary Committee**, which addresses non-tariff market access issues.

US Wheat Associates was instrumental in creating the Desert Durum<sup>®</sup> market in the early 1980's when they sponsored a European trade team to visit to the Desert Southwest. Today the high quality of Desert Durum<sup>®</sup> and the traceability of this product from the farm to the consumer is recognized around the world.

## California Wheat Commission Referendum

California growers will receive ballots during the month of January to decide the future of the California Wheat Commission. As required by the California Food and Agriculture Code, a reapproval referendum is to be conducted every five years. The Commission will continue if a majority of the producers voting in the reapproval referendum favor continuation. Ballots are required to be postmarked no later than February 18, 2008.

The State Food and Agriculture code mandates the Wheat Commission to conduct research, market development, and promotional activities and provides for an assessment, which has been set at \$.05 per hundred weight, or \$1.00 per ton.

If a grower has not received a ballot by the end of January, please contact the Commission office to request a ballot.

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