

# Wheat Faces a Double Challenge

By Marshall Matz

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The 150,000 to 180,000 wheat farmers in America are facing a double-barrel challenge:

1. The declining role and power of agriculture generally; and
2. The declining position of wheat farmers compared to both foreign competition and compared to other major commodities here, specifically, corn and soybeans.

If anyone needs any proof of the declining role of agriculture, all we have to do is look at the recent Iowa caucuses. The most amazing part of the Iowa campaign was that agriculture did not play any role. None!

Agriculture was literally trumped...if I can use that term... by national security, immigration, personal attacks and a protest against the Washington establishment. Senator Cruz won on the Republican side while campaigning against ethanol, and Donald Trump ignored agriculture. Senator Bernie Sanders released an agriculture position paper that was more suited for Vermont than Iowa, the United States or world leadership on agriculture. Secretary Hillary Clinton has the most traditional positions on agriculture, stemming from her days at State, and gave agriculture the most attention. Interestingly, while the Democratic contest was very tight, Clinton's margin in rural areas was the difference between her winning and losing. Yet, even farmers no longer seem to be voting agriculture which raises many questions for the future.

Just eight years ago, in contrast, candidate Obama had a "Rural Plan" for most key states. He visited farms, had his picture taken in between corn rows and made the traditional stops. Not this time. Why?

The answer is that agriculture's economic importance and political strength has decreased. We are the only industry in the country that is being hurt by our efficiency. With only 1 percent of the population feeding the country, and many around the world, our political power has decreased and there are fewer Members of Congress who can be considered "farm Members." Our customers spend less than any nation in history on food but never stop and think about what it takes to move the food from the farm gate to the kitchen table. Many of the goods and services we all enjoy come from the efficiency of our farmers. But do we make that point to our leaders in Washington? We tend to talk to each other and don't network with consumers groups, nutrition groups or the NGOs devoted to food security. When aggies come to D.C., you go to USDA - not Treasury or Commerce.

Wheat provides an estimated 20 percent of all the calories consumed by the human race. In 2013, world production of wheat was 713 million tons, making it the third most-produced cereal after maize and rice. In 2008/2009, U.S. farmers grew nearly 2.4 billion bushels of wheat on 63 million acres of land in 42 States, yet it is losing ground.

Let's look at some numbers to get a clearer understanding of both of these challenges:

**Total U.S. Economy: \$16.7 trillion**

Followed by China: \$9.2 trillion

Japan: \$4.9 trillion

Germany: \$3.7 trillion

France: \$2.8 trillion

### **Largest Agriculture Output**

China: \$925 billion

India: \$311 billion

USA: \$199 billion

Indonesia: \$125 billion

Brazil: \$109 billion

Nigeria: \$108 billion

### **Dependence on Agriculture - Percent of GDP from Agriculture**

**USA: 1.3 percent (And 1 percent can feed the USA)**

Japan: 1.2 percent

Germany: .9 percent

Ethiopia: 43.7 percent

Mal: 42.3 percent

Tanzania: 33.8 percent

Cambodia: 33.5 percent

Kenya: 29.5 percent

### **Wheat: Top 10 Producers, 000s Tons**

EU (28): 143,060

China: 121,926

India: 93,091

USA: 58,105

Russia: 52,091

Canada: 37,530

Australia: 26,929

Pakistan: 24,000

Ukraine: 22,278

Turkey: 18,750

### **Wheat: Top Consumers. 000s Tons**

China: 123,000

EU: 114,000

India: 93,000

Russia: 34,550

USA: 34,230

### **EXPORTS**

The Economist listed the 10 countries that exported the highest dollar value worth of wheat during 2014:

1. United States: \$7.8 billion (16.3 percent of global wheat exports)
2. Canada: \$7.2 billion (15.1 percent)
3. France: \$5.4 billion (11.4 percent)

4. Australia: \$5.3 billion (11.2 percent)
5. Russia: \$5.3 billion (11.2 percent)
6. Germany: \$3.1 billion (6.4 percent)
7. Ukraine: \$2.3 billion (4.8 percent)
8. Romania: \$1.3 billion (2.7 percent)
9. India: \$1.1 billion (2.3 percent)
10. Kazakhstan: \$960 million (2 percent)

USA: Profit per acre:

Profit per acre:

Wheat: \$105.

Corn: \$280.

Soybeans: \$256.

This dramatic disparity in profitability is having a significant impact at the farm level. According to the Economic Research Service, “the U.S. wheat harvested area has dropped off nearly 30 million acres, or nearly one-third, from its peak in 1981 because of declining returns compared with other crops and changes in government programs that allow farmers more planting flexibility.” That is a shocking statistic and the trend has continued in recent years.

In 2012-2013, we planted 55.3 million acres of wheat; harvested 48.7 million acres with an average yield of 46.2 bushels per acre. In 2015-2016, we planted 54.6 million acres; harvested 47 million acres with an average yield of 43.6 bushels per acre.

In the 2014-2015 marketing year, Canada pulled ahead of the U.S. for the first time in wheat exports. Canada exported 898 million bushels of wheat while the U.S. exported 864 million bushels. India, Poland, Russia, Romania and Ukraine are also gaining ground as a percentage.

This is a major concern to wheat farmers, but it should be a concern to all of agriculture. The goal must be to increase the profitability of growing wheat to the farmer to keep the U.S. competitive. How do we do that?

It will not be done by an Act of Congress. It is not as simple as writing a statute...not that getting a law through Congress is easy...and I certainly don't see much of anything happening the rest of this year in Congress. Indeed, many experts are openly asking if we have seen our last farm bill.

Therefore, the solution has to start with the farmers themselves and a commitment to the use of the best technology on every acre planted. That also means there has to be a good return on the investment in technology.

Wheat farmers should be using the latest technology to maximize profit. The debate now seems to revolve around the use of genetically modified traits or genetically engineered traits (GE), but many wheat farmers are not using the latest certified seeds and other technologies that are available. The best estimate is that approximately half (50 percent) of the seeds being used are saved seeds.

Amazingly, this reminds me of Africa, where smallholder farmers are using last year's seeds rather than certified seeds because they don't have access to certified seeds or don't believe that certified seeds boost yields and are worth the cost.

Wheat farmers in the U.S. might have a better return and profitability by using certified seed with proper seed treatments and inputs. If we can increase the yields five or ten bushels per acre, it can change the economics for an individual farmer. However, if the wheat industry continues to contract then the seed companies will not invest in new varieties because they won't be able to recapture their investments. Wheat will become the "orphan crop" of agriculture. Orphan drug is the term for illnesses that impact so few people the drug companies won't invest enough to produce the right medicine. So, they are called orphan drugs. Wheat is on a trend line to become an orphan crop.

Another part of this challenge and puzzle has to take a look at patent protections. Companies won't put money into improving seeds unless there is adequate protection for the advanced technology.

Down the road, we need to look to genetically engineered wheat but that, of course, is complicated. The concern is consumer acceptance here in the states and then around the world is another issue. It will be interesting to see how GE salmon and GE apples are introduced and if they are accepted for direct human consumption.

My own opinion on this is changing. Tamar Haspel had a very interesting article in the Washington Post two weeks ago on "The Food Movement." Her basic point was that GMOs and labeling were a concern for only a very small percent of American consumers...some 7 percent. She cited a study done at Rutgers and another done by IFIC, the International Food Information Council. Granted this small percent has an exaggerated voice through the use of social media and a deeply held personal belief system.

While the sale of organic foods has increased, it still only accounts for 5 percent of food sales. That is fine as consumers want and deserve a choice. The problem is when the organic folks allege that production agriculture is not safe.

I think we have won the debate over the safety, however. The attack now seems to be on the economic strength of the biotechnology industry and the hostility to global companies and corporate concentration. That is a totally different issue for another day.

Farmers' willingness to move toward GE seed will depend on consumer confidence and the market. The American Bakers Association will not embrace GE wheat until their customers accept GE bread.

I am becoming more optimistic on that front, at least in the long run, because of the challenge of global food security. Necessity will be the mother of invention. We are moving from a world population of 7 billion people to a population of over 9 billion. We must use the best modern agriculture technology, as we do with health care, communication and transportation. Climate change will make the challenge of global food security even more complicated and will demand the best possible science.

But today is now and modern seed technology is what we have on hand. Texas A&M and South Dakota State continue to be on the cutting edge of wheat research in the tradition of Norman Borlaug and Edgar McFadden.

The point I want to leave you with is that the wheat industry and wheat farmers are facing a serious problem. If wheat farmers continue to switch acres, we are going to decrease our position compared to foreign competition and it will discourage investment. We need to increase investment dollars...public and private...but to do that there must be a public demand and a return on investment.

Perhaps a Congressional Wheat Caucus might help to focus attention on this double-barrel challenge for wheat. A Congressional Caucus does not have the power to pass legislation, but it can help to focus attention and urge public and private action. It might be worthy of consideration.

Wheat is facing a downward spiral and a course correction is needed. It is a problem that the entire agriculture industry should think about.

Farmers are very proud of what they do, but they are still businessmen and businesswomen. For wheat to regain its traditional position it must be profitable and that is something that deserves the attention of everyone who cares about agriculture.

Thank you.

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