U.S Wheat Situation and Outlook

2014 IAOM

Ian Flagg

Regional Director

U.S. Wheat Associates

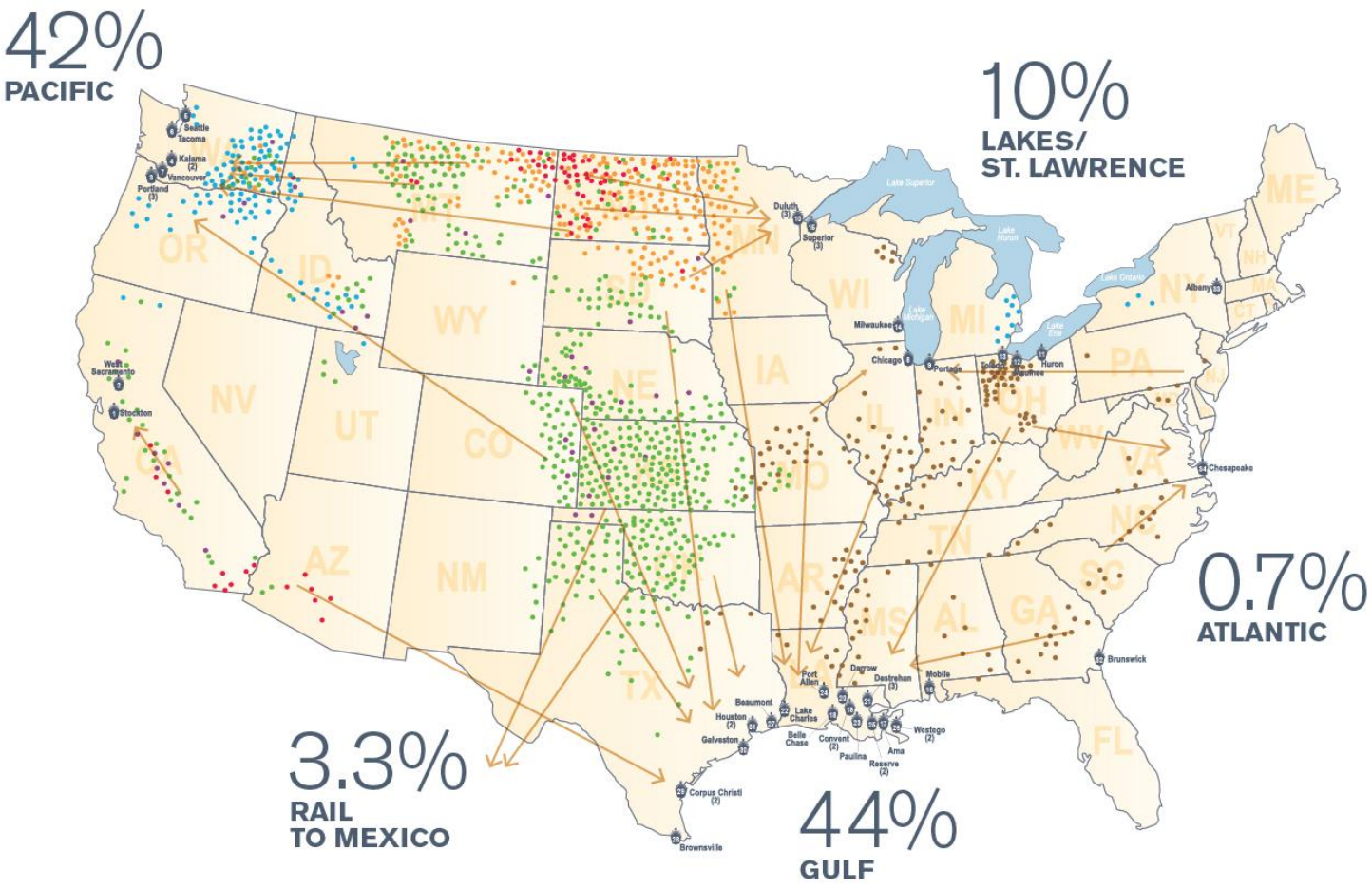
U.S. WHEAT ASSOCIATES

The world's most reliable choice.

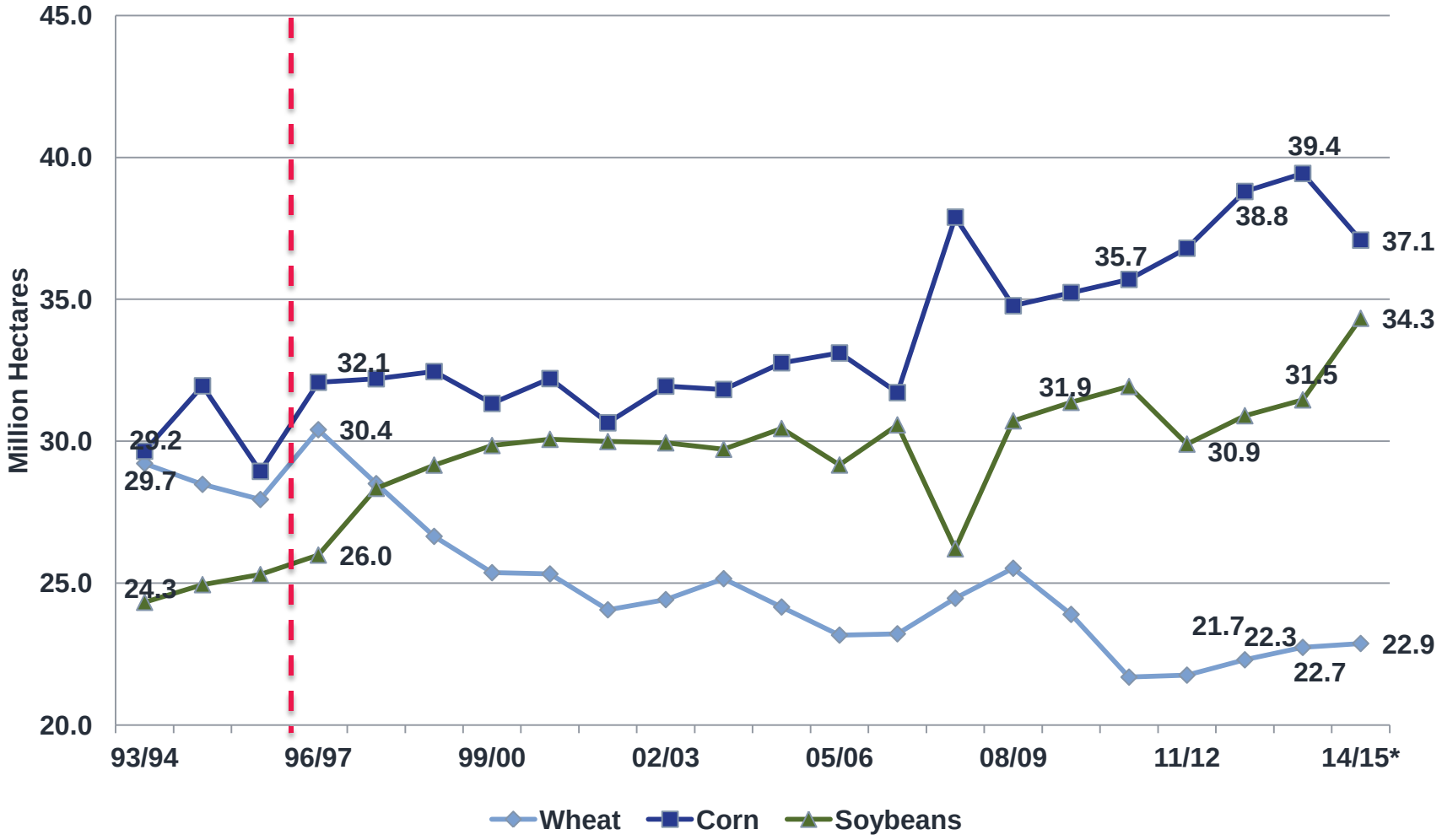
U.S. Situation and Outlook

- **2014/15 Review**
  - Planting and harvest conditions
  - U.S. Supply and Demand
  - Production and quality by U.S. wheat class
- Outlook for 2015/16
  - Planting conditions and production potential
  - Investing in infrastructure to improve efficiency

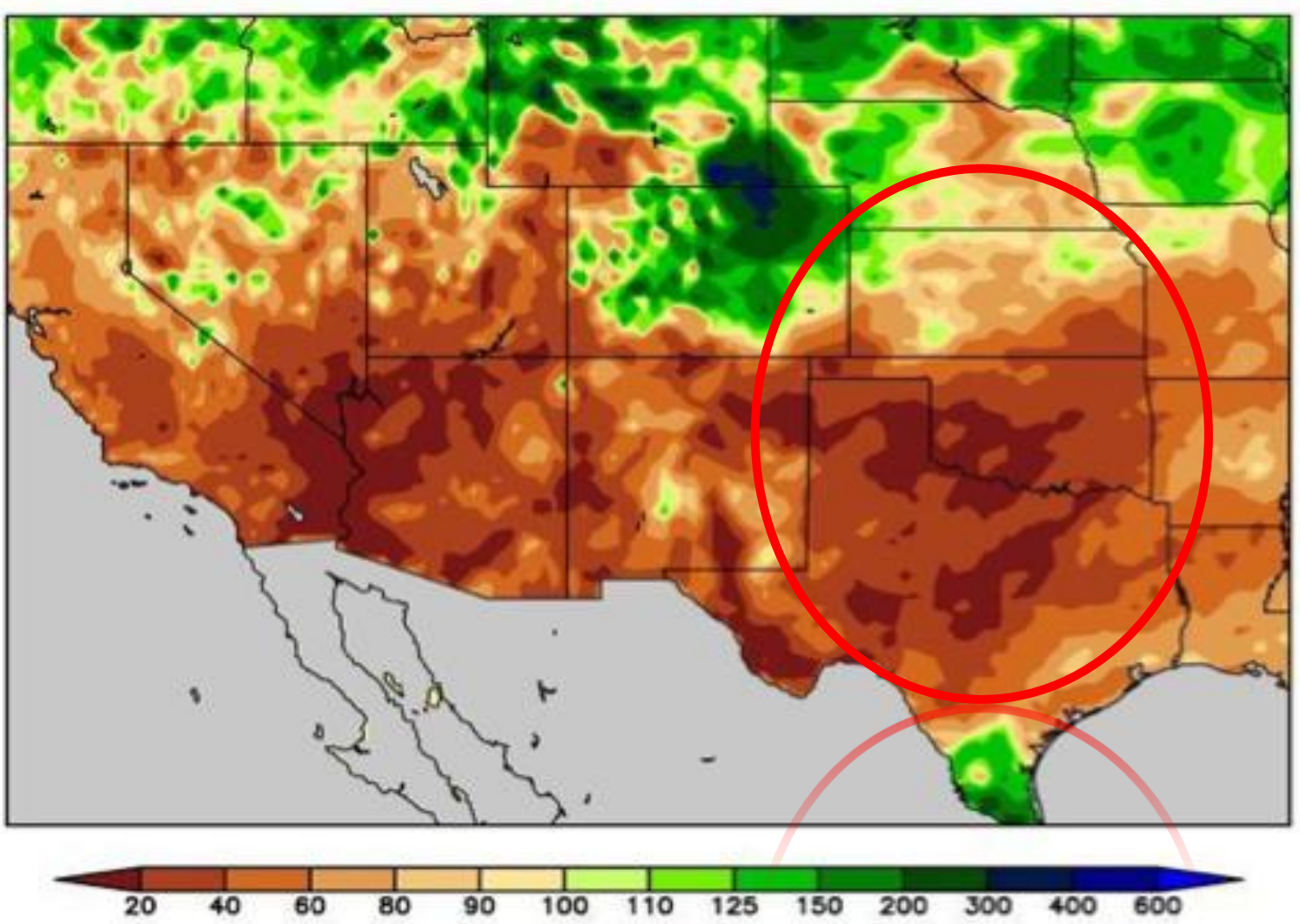
Six Classes; PNW, Gulf, Lakes, Atlantic



U.S. Crop Planted Area Comparison



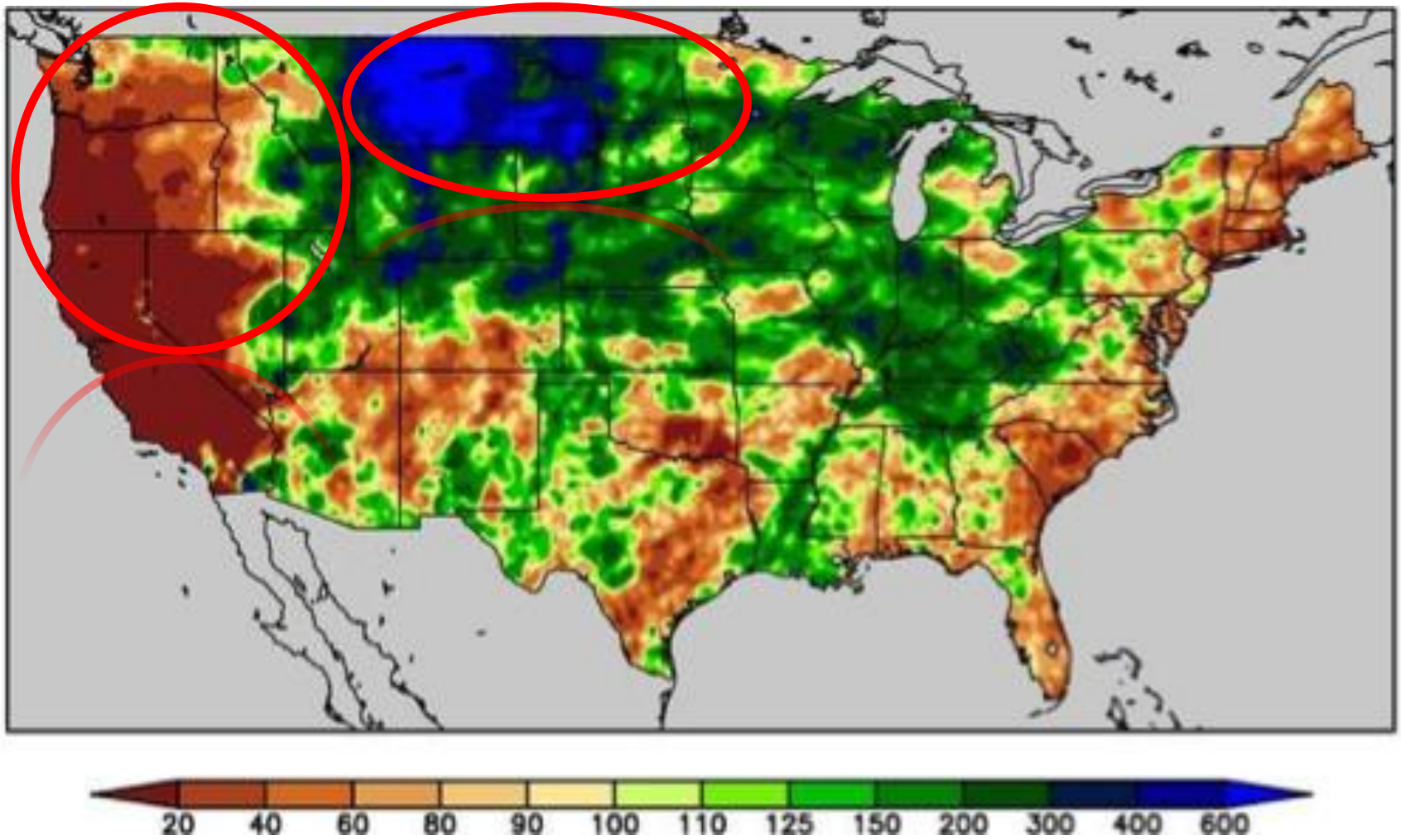
Planting, Development and Harvest Conditions



77 Day Precipitation Analysis - Percent of Normal Precipitation through March 10

Source: Martell Crop Projections

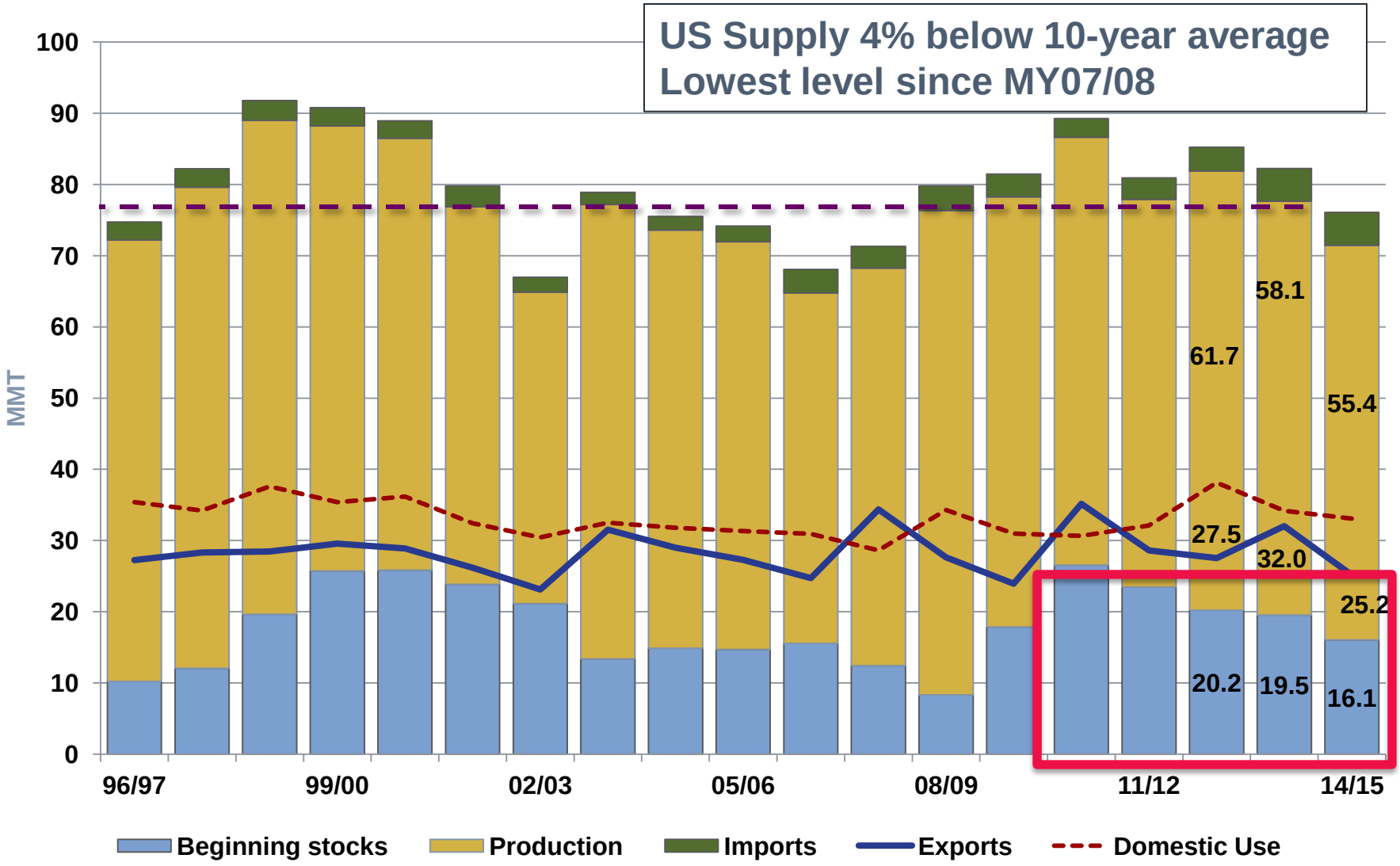
Planting, Development and Harvest Conditions



21-Day Precipitation Analysis
Percent of Normal Precipitation through March 10

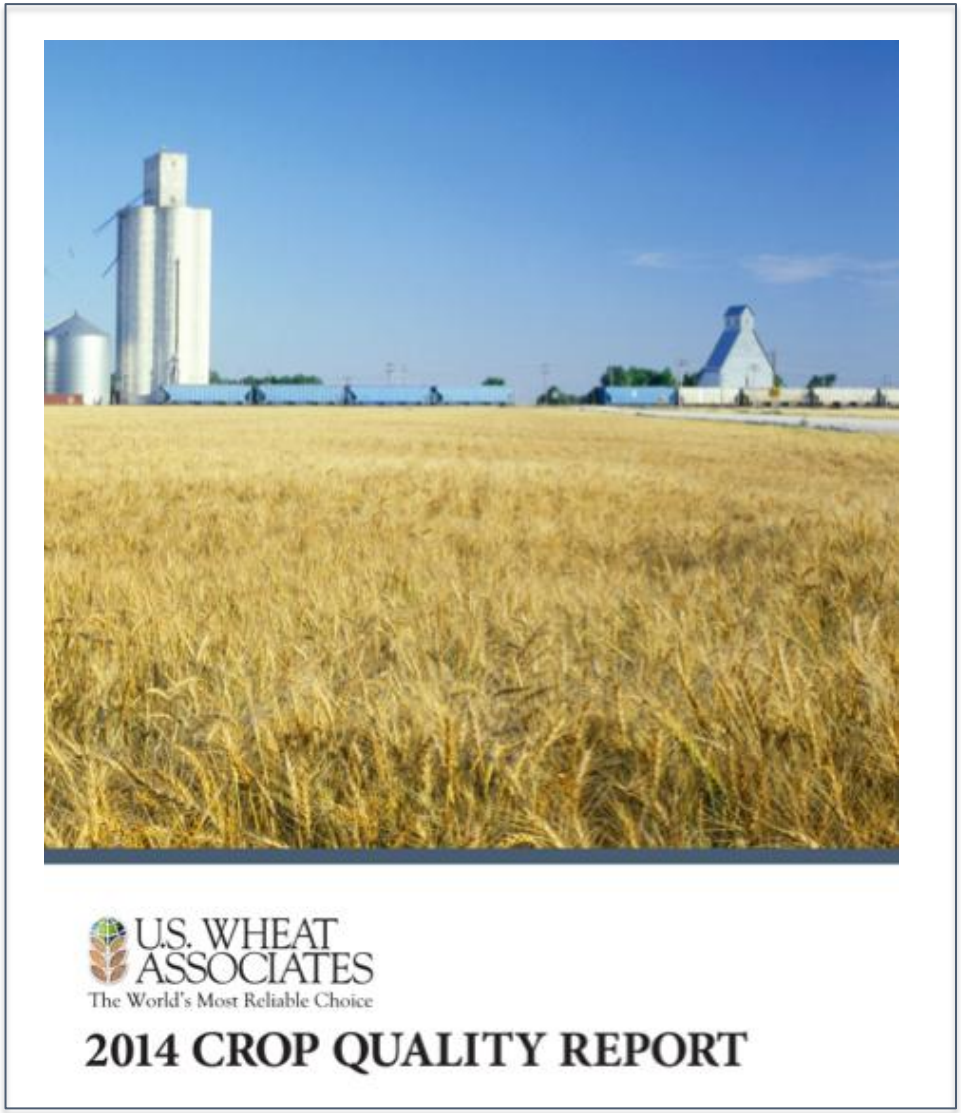
Source: Martell Crop Projections

U.S. Situation



2014 Comments by Class

- 2014 Crop Quality Report and by class reports are posted at www.uswheat.org
- Over 2000 samples collected and tested

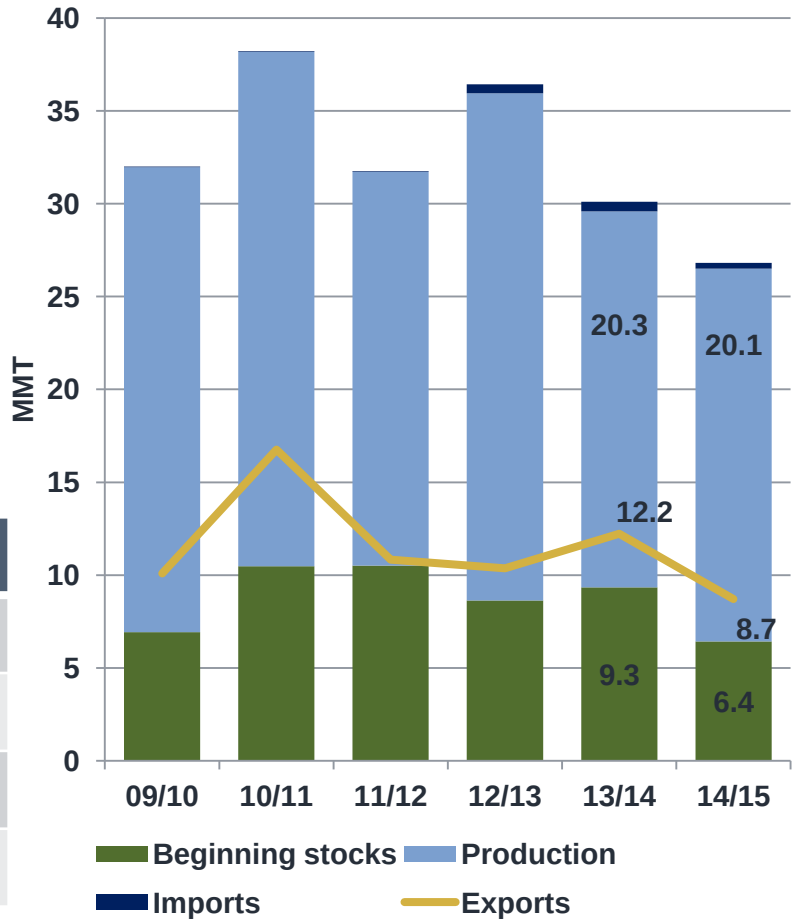


Hard Red Winter Wheat

2014 Crop, Sample Averages

- Production:
  - 20 MMT
- Crop Development:
  - Persistent dry conditions in central and southern plains
  - High % #1 Grade
  - Protein well above 5-year average

Quality	2014 vs. 5-Yr Avg.	
Protein (d.b.)	15.1	14.1
TW (Kg/HL)	79.9	79.8
W-Value	266	244
Loaf Volume	859	816

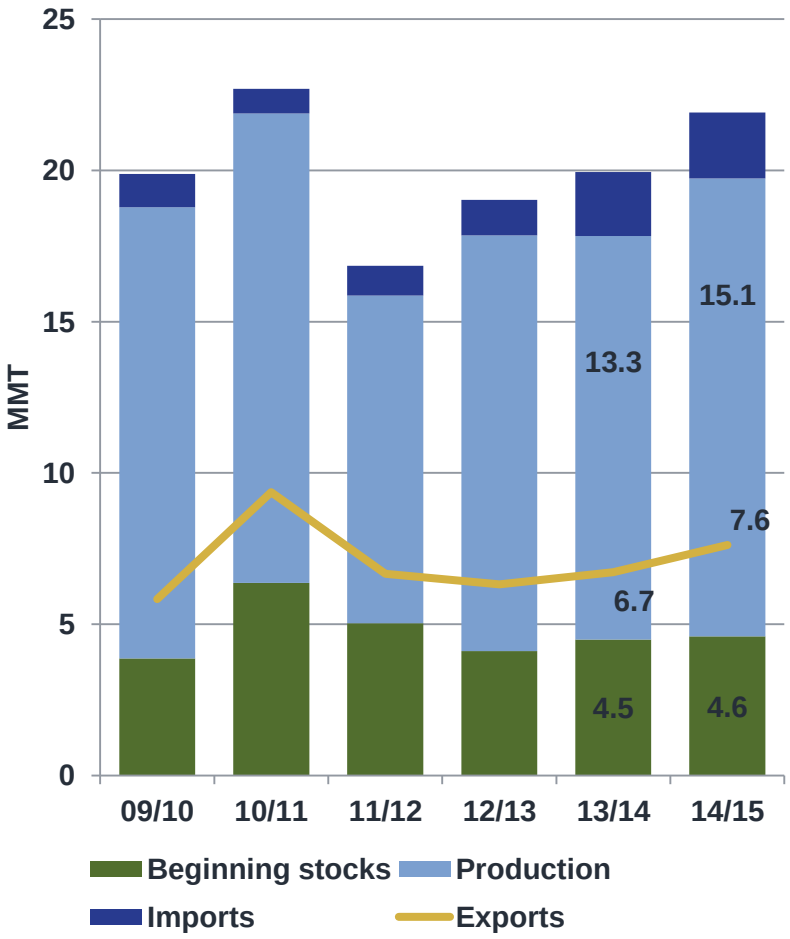


Hard Red Spring Wheat

2014 Crop, Sample Averages

- Production
  - 15.1 MMT
- Crop Development
  - Late planting due to unusually cold winter
  - High moisture growing conditions promoted high yields, but lower protein and DHV count.

Quality	2014 vs. 5-Yr Avg.	
Protein	15.5	15.9
TW (Kg/HL)	79.9	79.8
W-Value	392	364
Loaf Volume	944	960

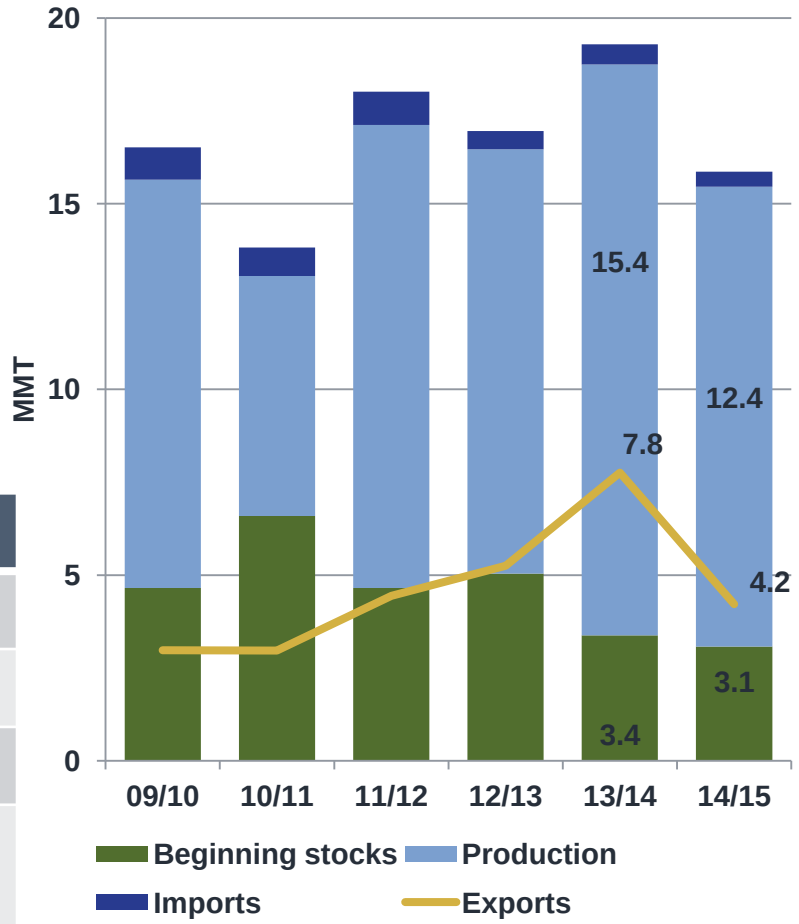


Soft Red Winter Wheat

2014 Crop, Sample Averages

- Production
  - 12.4 MMT
- Crop Development
  - Conditions were generally fair to excellent through harvest, excess rain in some areas during flowering and harvest adversely affected

Quality	2014 vs. 5-Yr Avg.	
Protein	9.8	10.1
TW (Kg/HL)	76.3	77.1
P\L Ratio	0.41	0.42
SRC – Lactic Acid	111	114
Cookie Spread	9.6	9.1

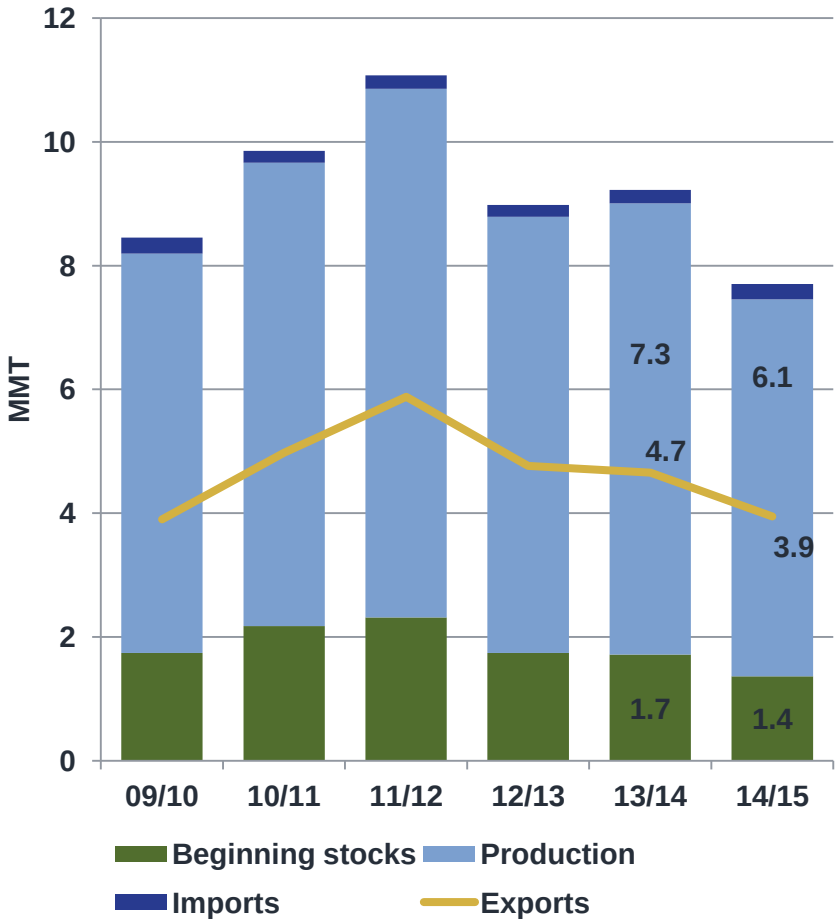


Soft White Wheat

2014 Crop, Sample Averages

- Production
  - 6.1 MMT
- Crop Development
  - Conditions were hot and dry from the start of grain filling to end of kernel development and during harvest; Protein well above average

Quality	2014 vs. 5-Yr Avg.	
Protein	12.4	11.2
TW (Kg/HL)	79.7	79.6
P\L Ratio	0.34	0.40
SRC – Lactic Acid	113	97
Cookie Spread	9.1	9.8

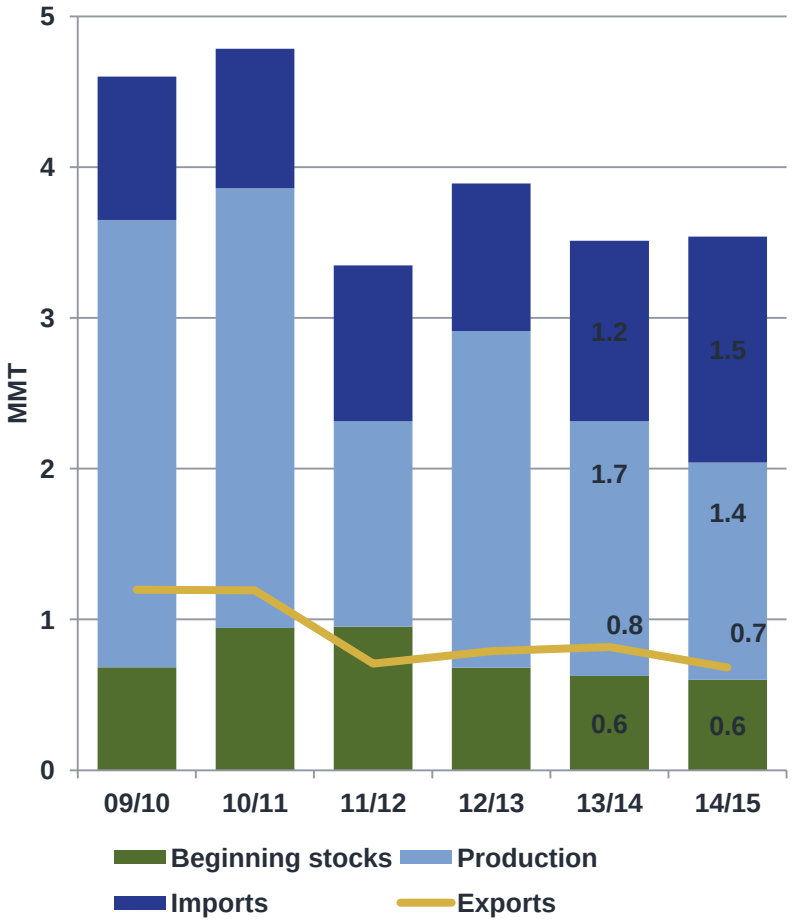


Durum Wheat

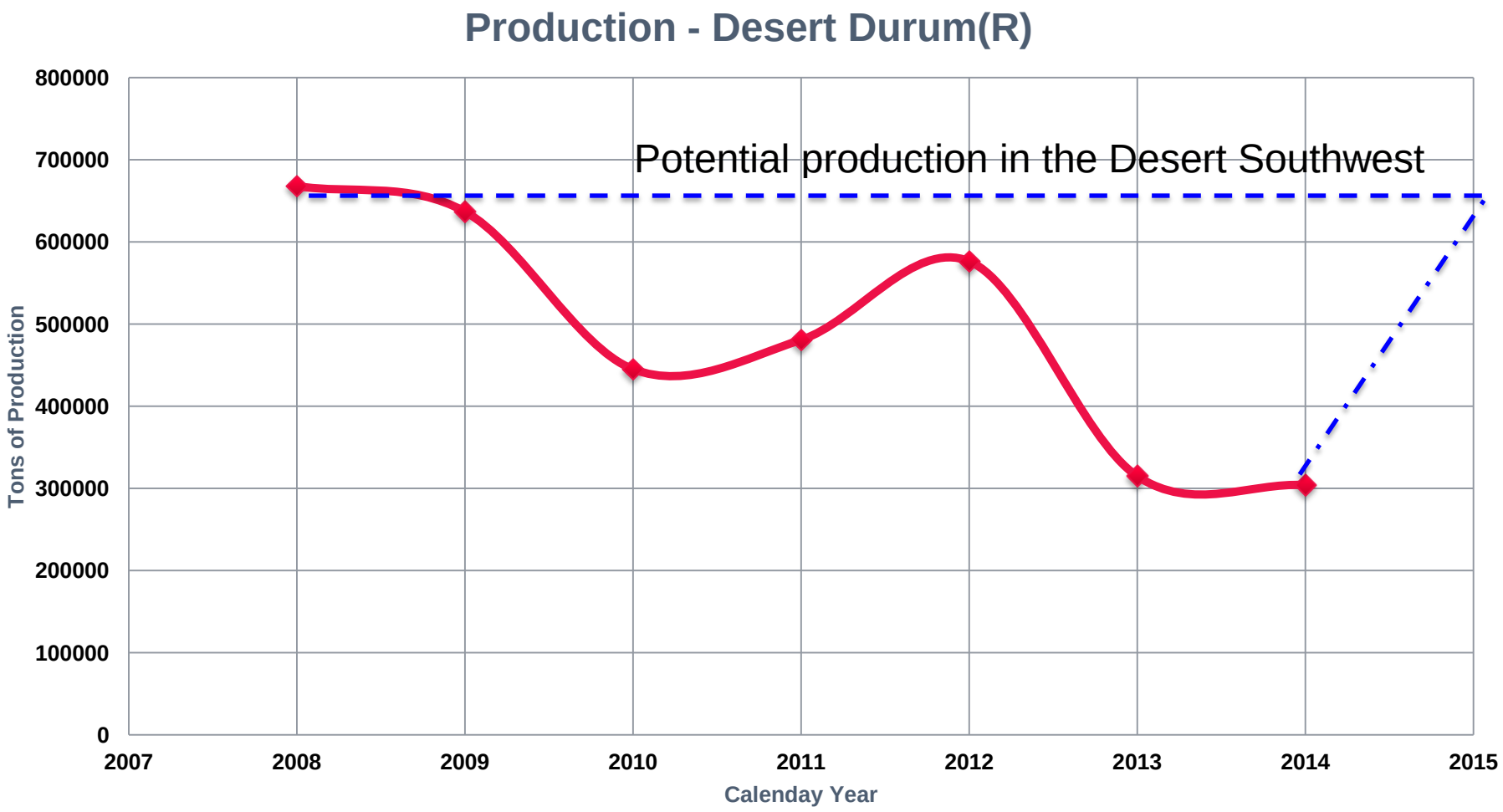
2014 Crop, Sample Averages

- Production
  - 1.4 MMT
- Crop Development
  - Delayed planting due to excess moisture; High humidity and excess moisture during development increased disease pleasure; Delayed harvest.

Quality	2014 vs. 5-Yr Avg.	
Protein	15.0	15.5
TW (Kg/HL)	76	79.6
Falling Number	276	378
Vitreous Kernel (%)	74	85
Semolina Ext. (%)	64.5	65.0



Desert Durum – An Opportunity



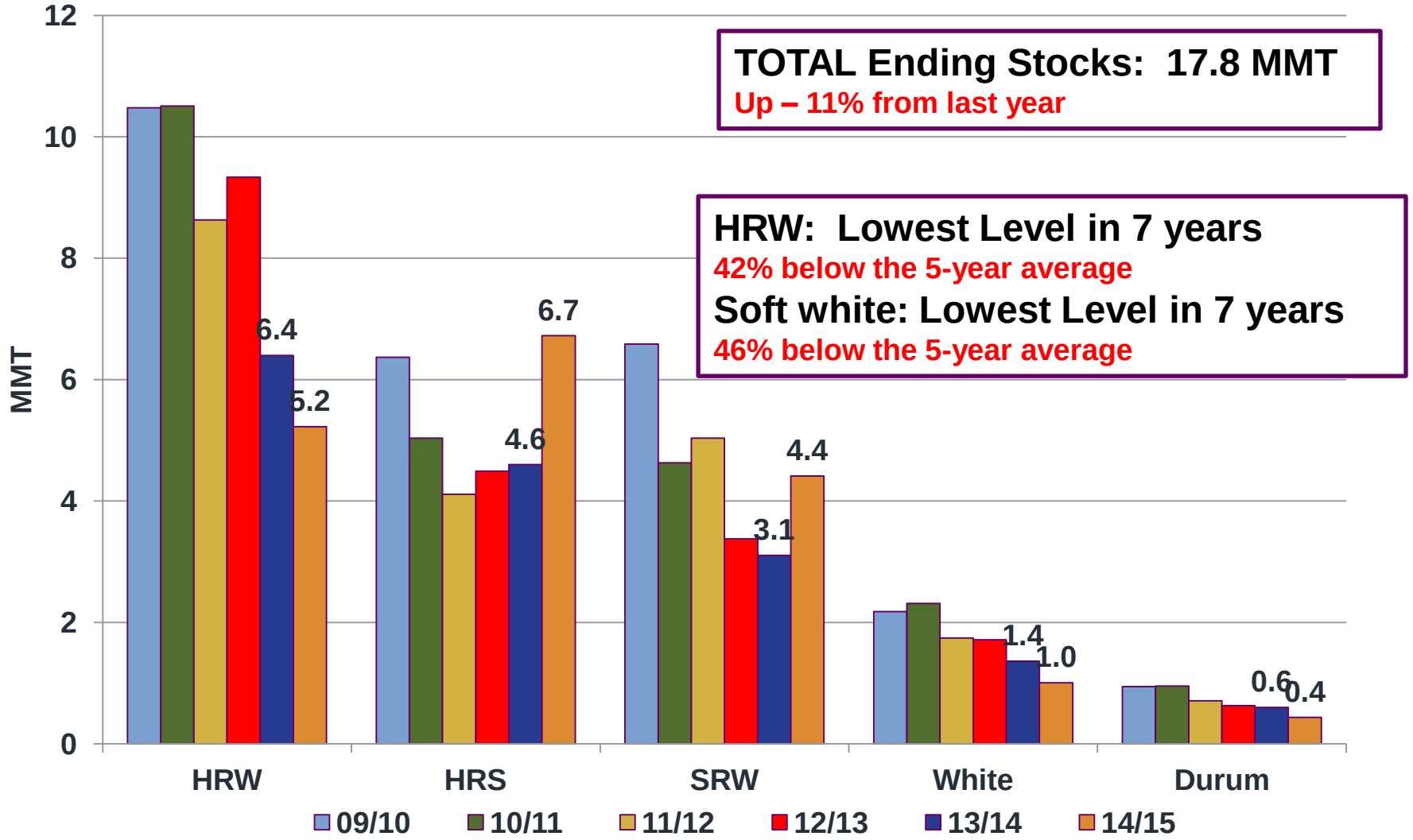
DESERT DURUM® AVERAGE GRADE RESULTS

	Harvest Data			Export Cargo Data		
	2014	2013	2012	13/14	12/13	11/12
Protein (12% MB)	13.3	13.4	13.4	13.4	13.2	13
Graded No. 1 (%)	Over 90% of samples graded No. 1			100	100	100
HVAC (%)	97.0	97.1	97.1	96.5	95.9	95.1
Test Weight: lb/bu	63.2	62.5	62.1	62.1	62	62.5
kg/hl	82.2	81.3	80.9	80.9	80.7	81.3
Moisture (%)	7.0	6.8	6.1	6.9	6.5	7.1
Damage (%)	0.2	0.2	0.2	0.4	0.4	0.4
Foreign Material* (%)	0.0	0.1	0.1	0.1	0.1	0.1
Shrunken/Broken* (%)	0.4	0.6	0.6	0.9	1	0.9
Total Defects (%)	0.6	0.8	0.9	1.4	1.5	1.4
Dockage* (%)	0.3	0.5	0.4	0.6	0.5	0.5
Total Screenings (%)	0.7	1.2	1.1	1.6	1.6	1.5
Net Wheat (%)	92.3	92.1	92.9	91.6	91.9	91.5
CTW (%)	109.9	109.7	110.6	109.1	109.4	108.9
MWVI (%)	91	91.2	90.4	91.7	91.4	91.8

*Total Screenings are those factors represented on the grade certificate that are cleaned out in the flour mill. Samples were either official samples collected by licensee of FGIS or submitted by handlers to a licensee for grading. Desert Durum® cargo data represents information obtained from official export inspection certificates. Test weight conversion from lb/bu to kg/hl is according to FGIS-PN-97-5, (1.292 x lb/bu) + 0.630. Net Wheat = 100%-(FM+SHBN+Dockage) x (100%-Moisture)/100%. Clean, Tempered Wheat (CTW%) = 100%- (FM +SHBN+Dockage) x (100%-Moisture)/(100%-16% (temper moisture)). Millable Wheat Value Index (MWVI) = 100%/CTW.

Consistently outstanding quality

Ending Stocks by Class



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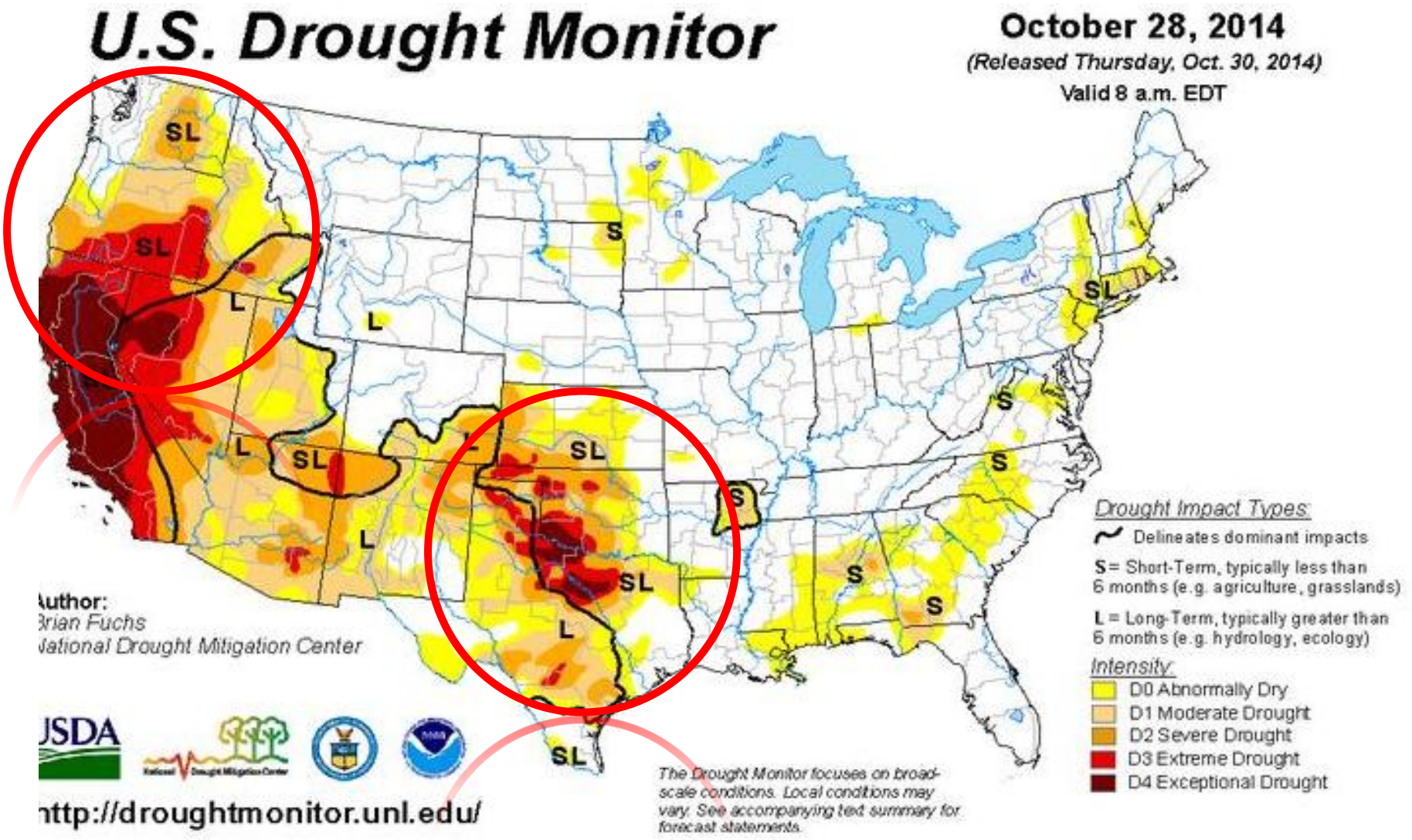
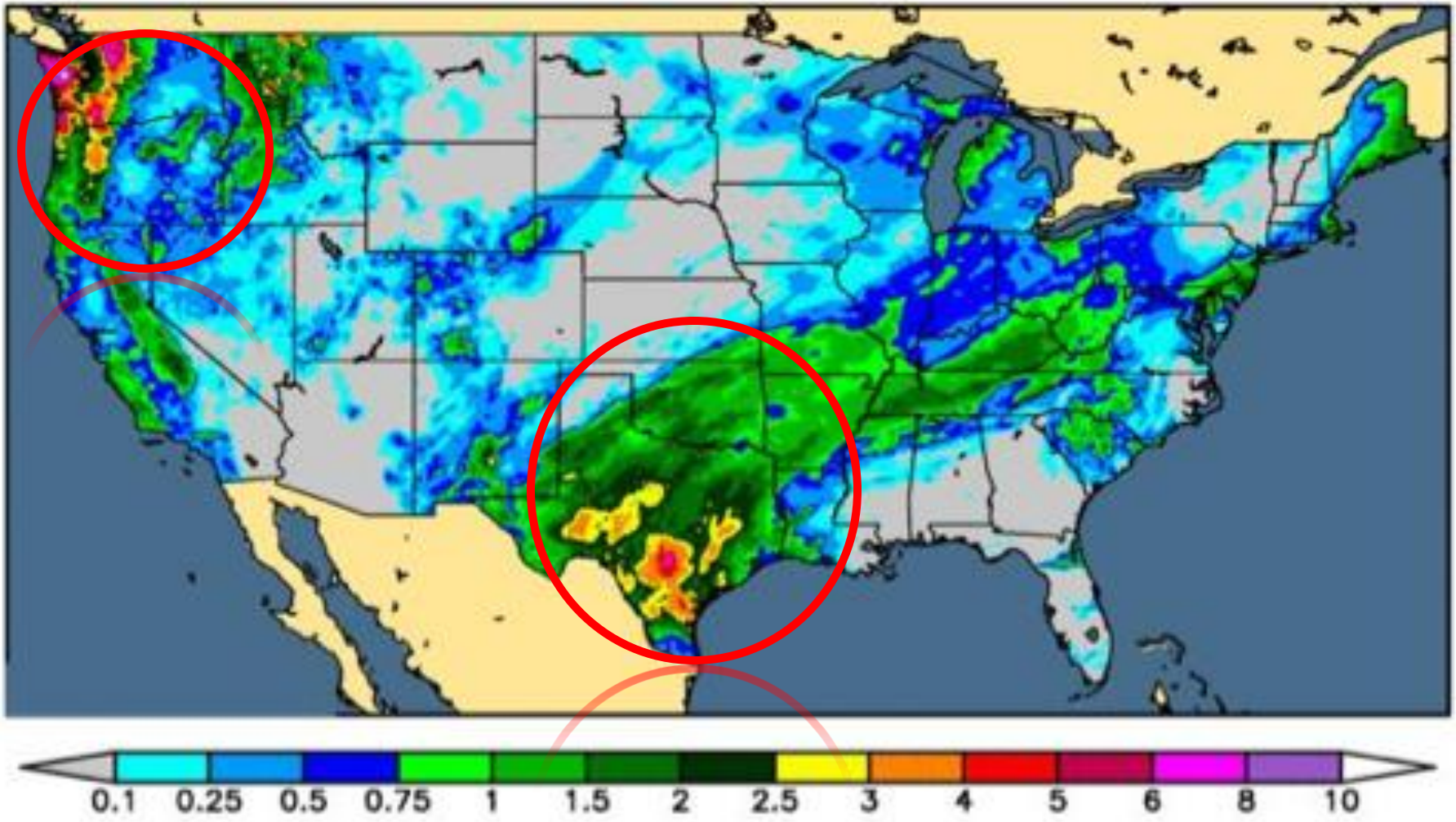
Winter Wheat Plantings

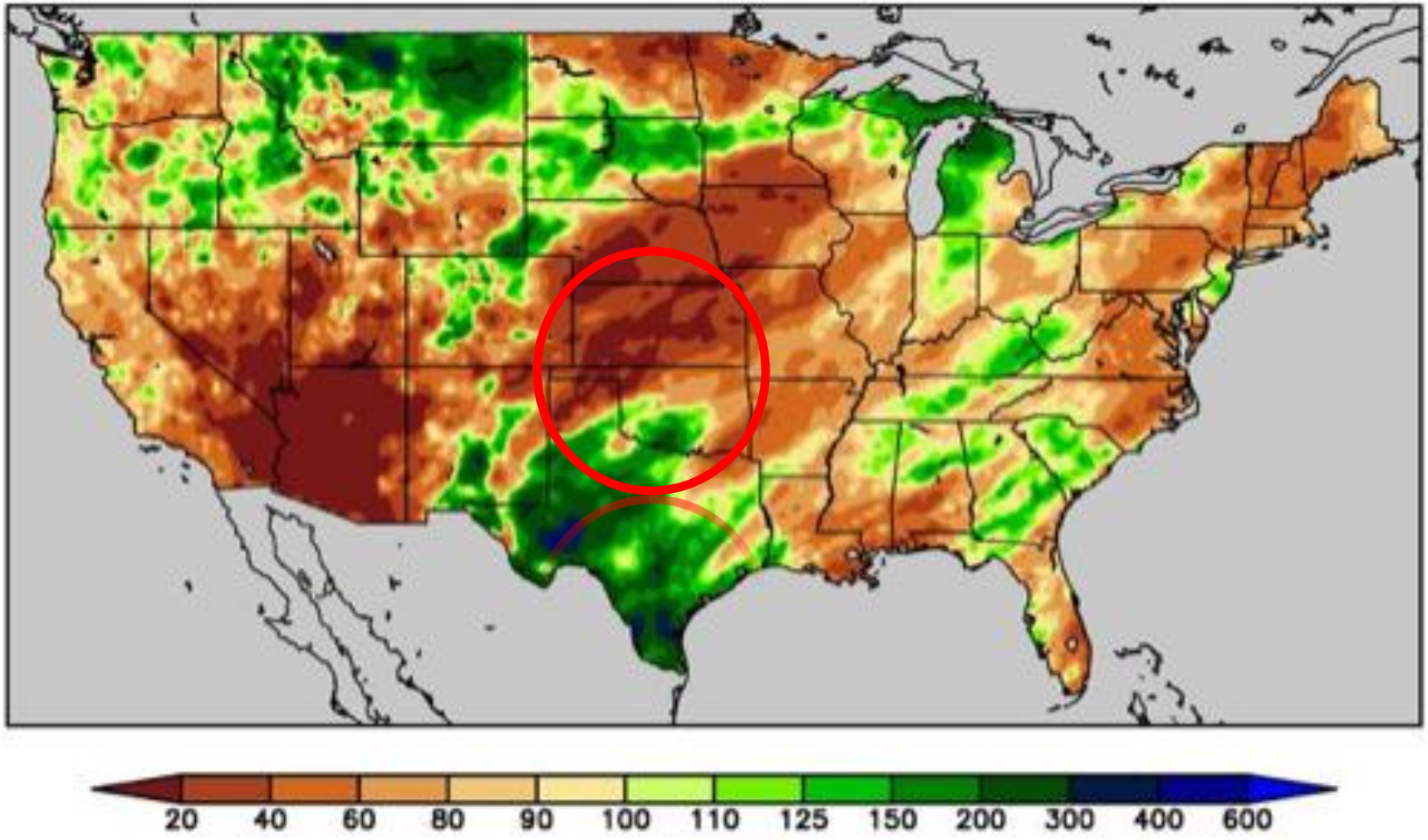


Winter Wheat – Recent rains Will it be enough?



Source: Martell Crop Projections

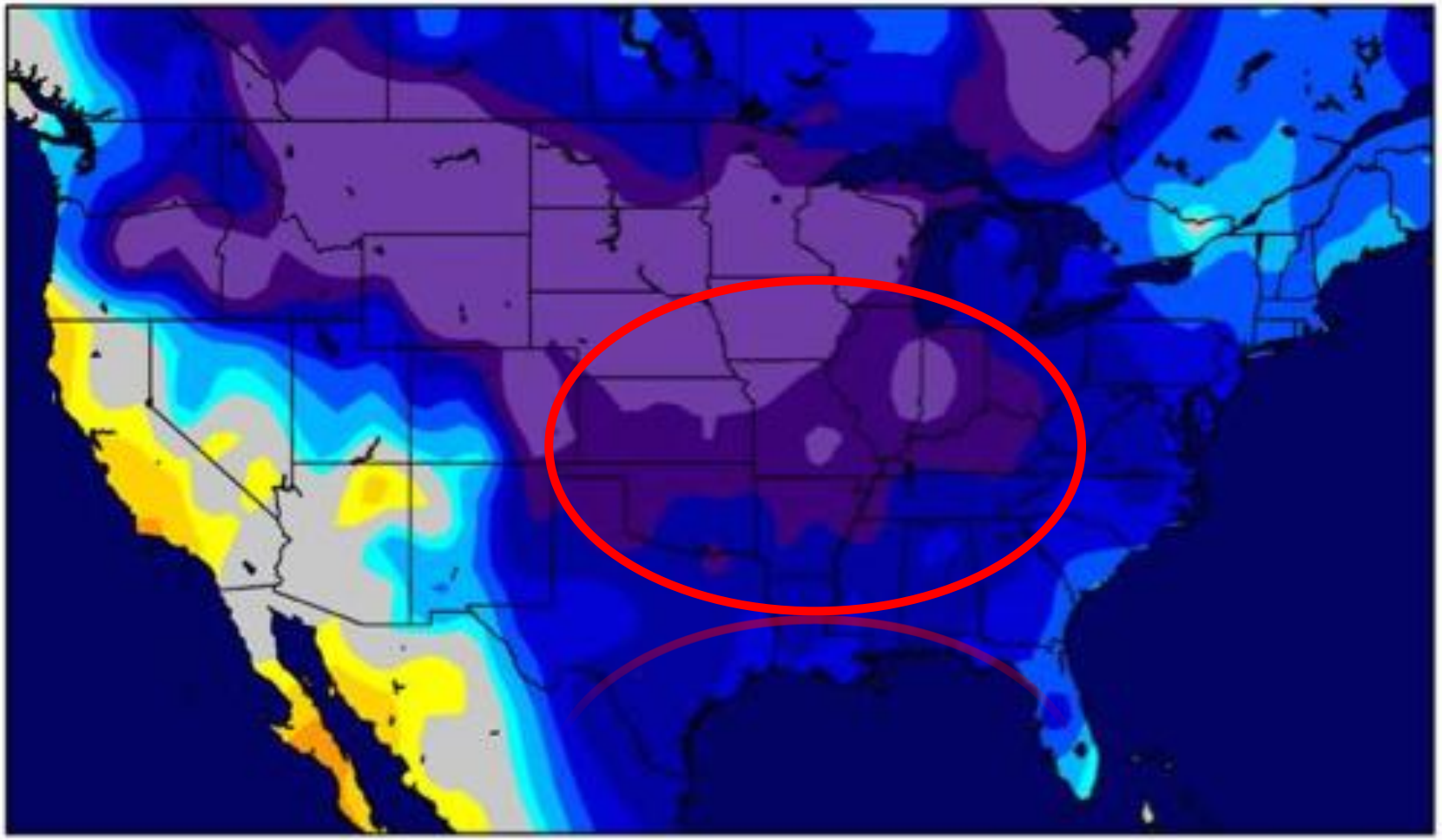
Winter Wheat Conditions



Percent of Normal Precipitation through November 24

Source: Martell Crop Projections

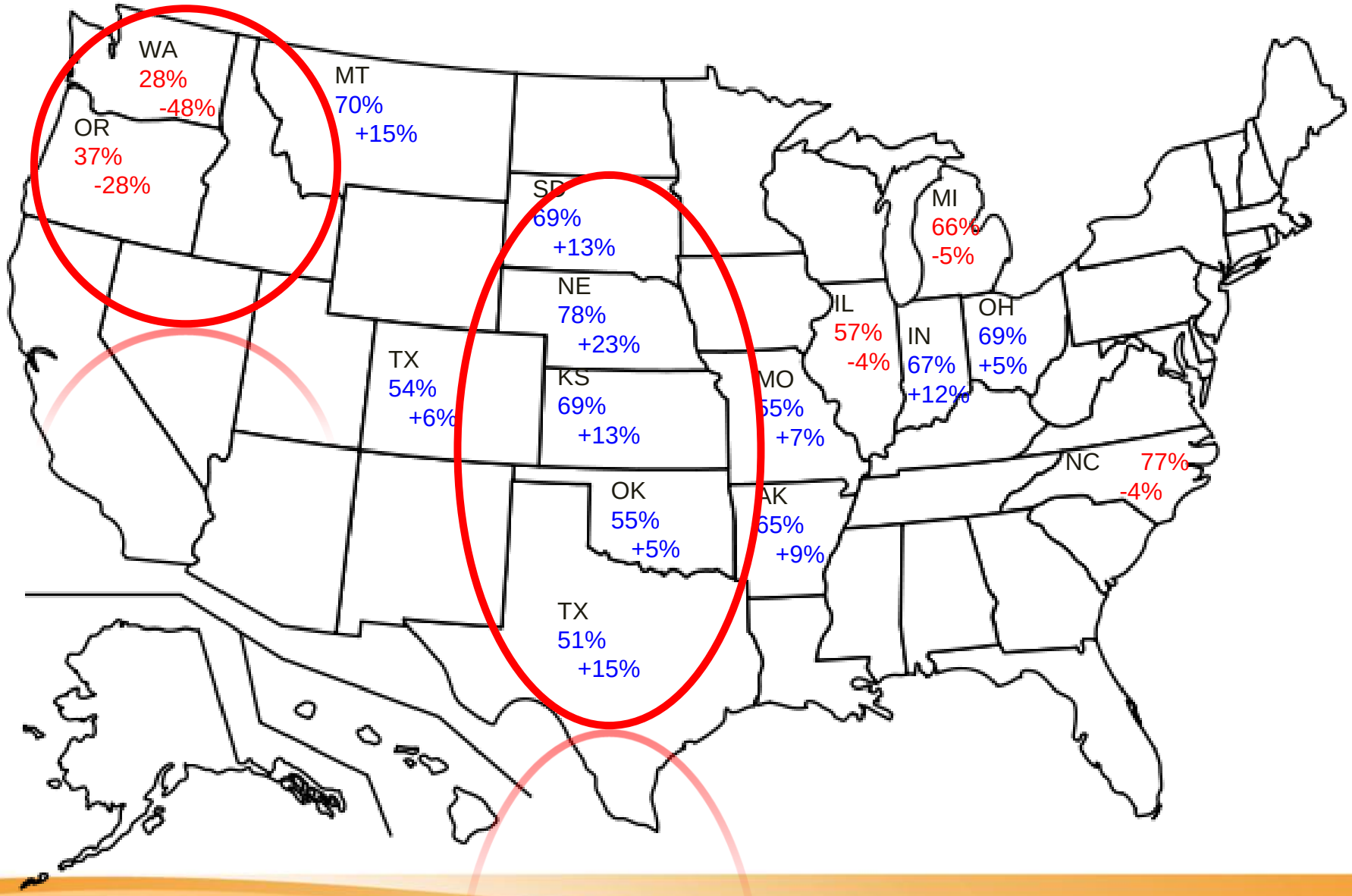
Winter Wheat Conditions



November 10 to 23 – Departure from Mean Temp

Source: Martell Crop Projections

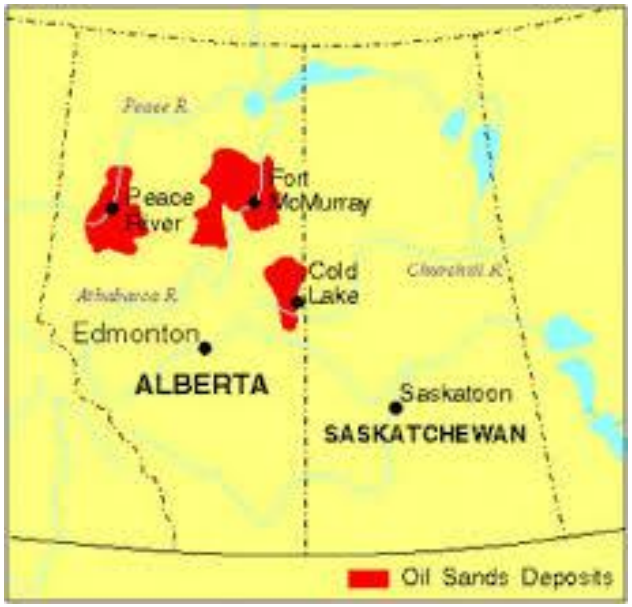
Outlook for 2015/16



Trends in North American Rail Freight

- Rail transportation problems in Canada and U.S. are expected to continue into 2014/15.

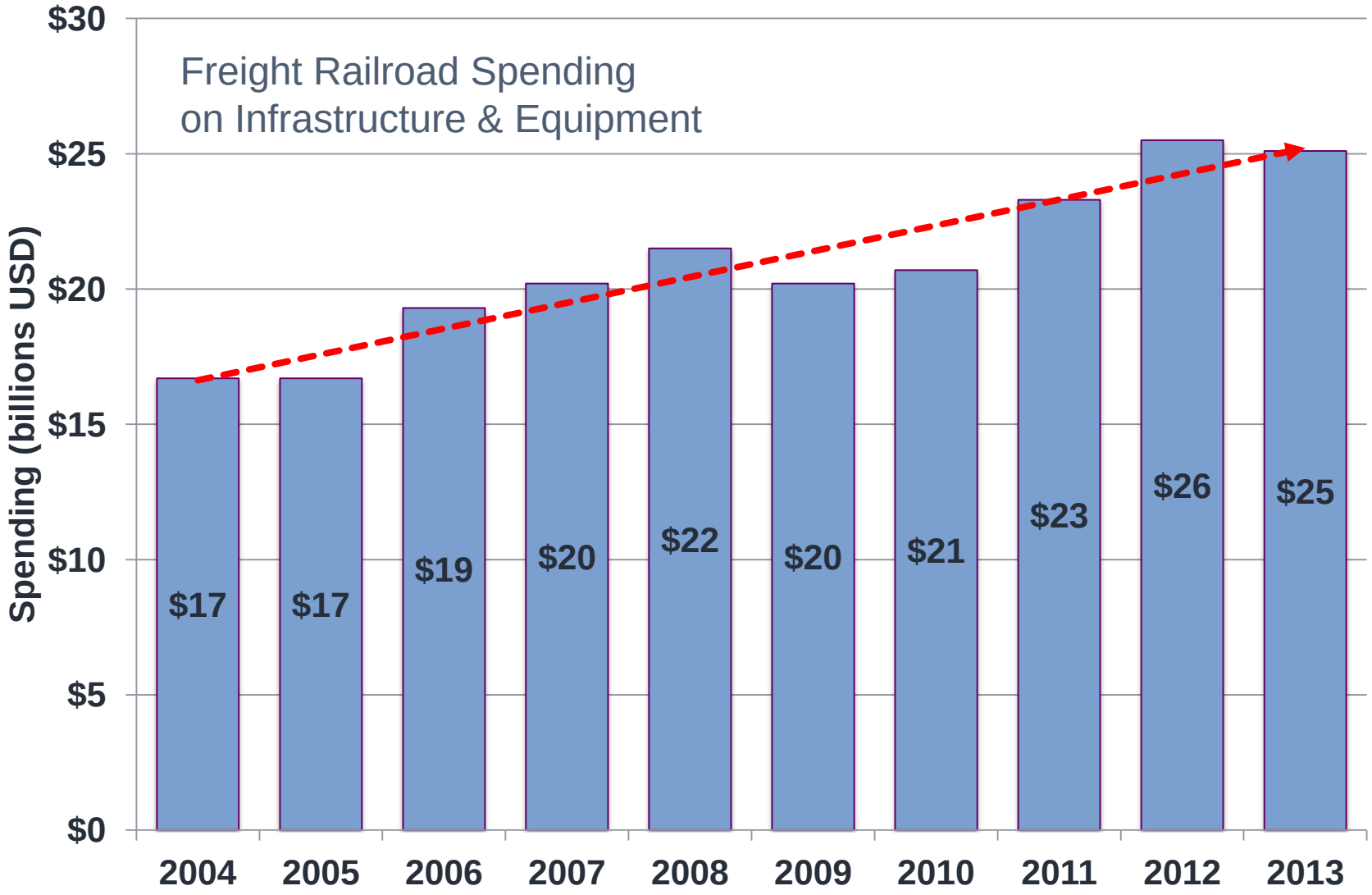
- Caused by big increase in oil development in U.S. and Canadian Spring & Durum production region.



Trends in North American Rail Freight

- Insufficient pipeline capacity is pushing more oil movement by rail
- Oil transportation by rail in North Dakota has increased about 350% compared to 2008
- Higher farm-to-port freight costs & service delays of 15 to 45 days for rail car placements
- Both base tariff and “secondary” market premiums for rail cars up
- Higher rail costs are also being paid by producers and end-use customers
- In addition, shipping fees along the Mississippi River have more than doubled in the past year.
- Spike in barge freight rates is connected to spike in rail freight rates

Investing in Infrastructure



Source: American Association of Railroads

Conclusions

- 2014/15 Supply and Demand
  - Growing Conditions
    - Excess moisture
      - HRS: protein and DHV levels below five year average. Overall baking performance still high.
      - SRW: lower test weights and higher DON levels
      - Durum: lower HVAC and test weights. Higher DON levels
    - Dry conditions
      - HRW: Reduced yields but higher than average protein
      - SW: Reduced yields and higher protein
  - **U.S. Supply around 75 MMT, 4% below 10-year average**
  - **Ending stocks up 11% to 17.9 MMT**
    - **HRW and soft white stocks lowest in seven years**
- Winter Wheat Plantings
  - Drought conditions continue in U.S. HRW region
    - Still to early to determine impact. Crop conditions mixed.
    - Delayed SRW plantings and colder than normal temps

Thank You for your valued business, and for your attention today.
We wish you every success for the future!