

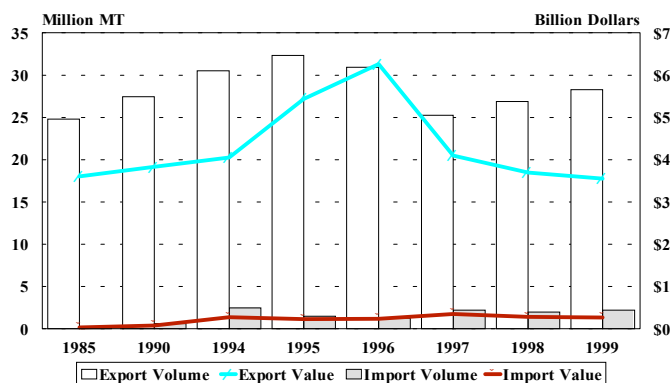
## Leaflet 5. Wheat and the World Trade Organization

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### Trade Situation and Outlook

Because of differences in soil types and climates, wheat produced in one country generally differs from that produced in others. The United States produces hard, soft, and durum wheats. Hard wheat is further divided into hard red winter (HRW) and hard red spring (HRS) wheat and soft wheat is divided into soft red winter (SRW) and white wheat. Average wheat production for the 1995-99 period was 64 million metric tons. Canada produces primarily HRS wheat and durum wheat. Average Canadian wheat production for the 1995-99 period was 26 million metric tons. Australia primarily produces a winter wheat which is similar to HRW wheat in terms of quality and characteristics. Australian average wheat production amounted to 20.9 million metric tons for the 1995-99 period. Argentina produces a wheat with characteristics of both soft and hard

U.S. Wheat Trade, 1985 - 1999



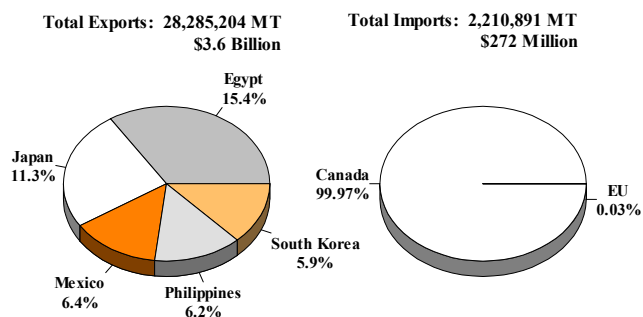
Source: FATUS

wheat. Argentina's average wheat production amounted to 13.1 million metric tons for the 1995-99 period. World wheat production was 580.1 million metric tons annually for the 1995-99 period and is expected to increase 11.9 percent for the next 10 years. World wheat consumption was 578.5 million metric tons annually for the period. Wheat

consumption would increase 14.4 percent which is faster than production for the period.

World wheat exports are dominated by a few exporting countries: the United States, Canada, Argentina, Australia, and the European Union (EU). These countries represent 80 percent of wheat traded in the world market. The United States is the largest exporter, followed by Canada and the EU. The total quantity of wheat traded was 108 million metric tons annually for the 1995-99 period.

U.S. Wheat Exports and Imports, 1999



Source: FATUS

The United States leads in exports of HRW and SRW wheats; an annual average of 29.3 million metric tons was exported in the 1995-99 period, of which nearly 15.4 million tons were HRW and SRW wheat and 7.5 million tons were HRS wheat. The United States competes with the EU for market share of SRW wheat exports. Major U.S. markets for SRW wheat include China, West Asia, and the North African Markets. EU markets for SRW wheat include the Former Soviet Union (FSU), China, West Asia, and North African markets. Canada is the leader in exports of HRS and durum wheat. The United States also exports HRS and durum wheat and competes with Canada. The EU

competes with the United States and Canada in world durum wheat markets. Major U.S. markets for HRS wheat include Southeast Asia and East Asia, including Japan and South Korea. Major Canadian markets for HRS wheat include China, the FSU, and the East Asian markets. The United States, Canada, and the EU intensely compete for the North African durum markets. Australia and Argentina compete with the United States in exporting HRW wheat. Major U.S. markets for HRW wheat include the FSU, China, and East Asia. Argentina exports HRW wheat mainly to South America and West Asia. Australia's major markets are the North African countries, China, the FSU, and West Asia.

### **Major Wheat Trade Issues**

Issues related to the U.S. wheat industry for the 2000 Round of World Trade Organization (WTO) agricultural trade negotiations include further reduction in import barriers, internal supports, export subsidies, state trading enterprises, and agricultural biotechnology.

Market Access. There have been some improvements in market access in both developing and developed countries under the UR Agreement. Most countries converted their import quotas to tariff-rate-quotas (TRQ) and have been reducing tariffs in TRQ based on their commitments. However, trade volume of wheat has not increased in the world market because the quota was set on the basis of historical import trend and tariffs above the quota are too high. The administration of TRQs will be revisited in the upcoming round of WTO negotiations.

Internal Support and Export Subsidies. Although WTO members have made commitments to reduce internal supports and export subsidies, levels of these subsidies

differ among countries. For instance, the EU's internal supports (producer support prices) are higher than those in the United States. Although the EU will reduce its subsidies on the basis of the committed schedule, the EU's subsidized exports will remain at 13.4 million tons, and the budget for export subsidies will be \$1.1 billion by the end of 2000. These subsidies have stimulated wheat production in the region and lowered world wheat prices.

State Trading. Many countries, including Canada, Australia, and China, use STEs for wheat trade. State trading will likely be an important issue in the 2000 Round of WTO negotiations, primarily because STEs have the capacity to distort trade flows. Although the agenda of the 2000 Round of WTO negotiations is uncertain with respect to STEs, it is clear that restrictions on STE operations will be needed to promote fair trade.

Biotechnology. Agricultural biotechnology has significant potential for consumers and producers. Genetically modified organisms (GMOs) are a leading edge of this technology; examples of GMOs include corn and soybeans that are insect resistant and herbicide tolerant. GMO wheat is available on a limited basis and may be beneficial to wheat producers in the United States. However, differences in GMO regulations across countries pose potential barriers to exports. There may be a need for harmonization of existing regulations among countries or negotiation of an international standard.