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Commodity Profile with an Emphasis on International Trade: Wheat

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The United States is a major wheat producing country. In 1993, wheat ranked third among U.S. field crops in both planted acreage and gross farm receipts, behind corn and soybeans. Approximately half of the U.S. wheat crop is exported.

California wheat production totaled 37 million bushels in 2000—about 1.6 percent of total U.S. wheat production. California production decreased from 48.1 million bushels in 1990 (1.7 percent share of U.S. production). The value of production was \$103.8 million in 2000, down from \$157.8 million in 1990. California wheat acreage (1 percent of the nation's total) decreased from 680,000 in 1990 to 635,000 in 2000.

Of the different classes of wheat, California produces mainly Hard Red Winter wheat, which is principally used to make bread flour. In the United States, that class accounts for 40 percent of total U.S. production. California also produces durum wheat, which is used in the production of pasta. Durum wheat accounts for 3 to 5 percent of total U.S. wheat production.

Tariff Rates and Policy Changes Resulting from NAFTA

The United States imposes a tariff of 0.65 cents per kilogram on durum wheat imports for trade partners with which the United States maintains normal trade relations. The tariff for other types of wheat imports is lower at 0.35 cents per kilogram. Trading partners without normal trade status with the United States face higher tariffs on wheat shipments into the United States. That tariff on imports of durum wheat or other types of wheat is 1.5 cents per kilogram.

Under the Canadian-U.S. Free Trade Agreement (CUSTA), Canada completed its 10-year elimination of tariffs on U.S. wheat imports in 1998. Prior to 1989, Canada charged \$4.41 per ton for wheat and \$5.62 per ton for wheat flour shipments from the United States. Under CUSTA, Canada also removed its import license requirements on U.S. wheat and wheat products in 1991.

Mexico immediately eliminated its import license requirement for all wheat shipments upon the implementation of NAFTA in 1994. A 15-percent ad valorem tariff was then applied to wheat imports from the United States. Wheat flour shipments to Mexico also faced a tariff of 15 percent. Both tariffs are being phased out over ten years and reach zero in 2003.

In 1988, the United States imposed a tariff of 0.77 cents per kilogram for durum and other wheat types and 6.3 percent for seed. The U.S. tariff for wheat flour was 1.1 cents per kg. Under first CUSTA and then NAFTA, the United States phased out its tariff on Canadian wheat over a 10-year period that ended in 1998.

The United States eliminated its tariffs on common wheat imports from Mexico over five years and is doing the same for durum wheat over nine years. As of January 2002, Mexican wheat shipments to the United States do not face tariffs.

Exports

The United States is the world's largest wheat exporter. Five nations, Canada, Australia, the European Union, Argentina, and the United States account for more than 85 percent of world wheat exports. U.S. wheat exports totaled \$3.5 billion in 2001, down from \$4.1 billion in 1990. The value of U.S. wheat exports increased during the first half of the 1990s and peaked in 1996 at over \$6.4 billion. In subsequent years, the value of exports was lower. California's share of U.S. wheat exports is tiny—less than one percent of the U.S. total in 2001.

In 2001, Japan and Egypt were the two most important export destinations for U.S. wheat, receiving shipments valuing \$438 million and \$388 million, respectively. Mexico was the third important destination, accounting for 8 percent of total U.S. wheat exports in 2001. The value of U.S. wheat exports to Mexico has doubled during the NAFTA era, from \$140 million in 1993 to \$281 million in 2001. However, U.S. wheat exports to Mexico showed an increasing trend even before NAFTA. In 1990, the value of such exports was \$53 million. About seven percent of total U.S. exports to Mexico consisted of durum or wheat flour.

U.S. exports to Canada totaled \$15 million in 2001 (less than 0.5 percent of total U.S. exports), up from \$1.3 million in 1990. Roughly 16 percent of U.S. exports to Canada consisted of durum wheat in 2001. The remaining 84 percent were nearly evenly divided in other wheat and wheat flour.

Imports

U.S. imports of wheat grain, which come mostly from Canada (98.7 percent in 2001), are small compared with exports. In 2001, the value of U.S. wheat imports totaled \$281.7 million, up from \$62.1 million in 1989. U.S. wheat imports from Canada rose sharply during the first half of the 1990s. Imports from Canada peaked in 1997 at \$358.9 million, but have been lower in subsequent years.

Prices

The inflation adjusted price (all prices in 1996 dollars) for wheat increased substantially during the first half of the 1990s from \$3.83 per bushel to almost \$5 per bushel in 1996. In subsequent years, the California wheat price was lower reaching \$2.93 per bushel in 2001, up from \$2.63 per bushel in 2000.

Sources

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Figures and Tables:

Table 1: U.S. wheat exports (total and to Canada), 1990-2001 (in million \$)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total	4070.	3532.	4680.	4873.	4267.	5693.	6447.	4313.	3837.	3734.	3510.	3487.
Canada	0	3	8	5	7	5	6	7	2	7	4	9
Canada	1.3	3.9	6.8	7.7	11.2	11.5	24.1	19.1	8.3	11.8	11.9	15.2

(Source: U.S. Customs Service)

