

**The Anderson Research Grant Program
2001 – 2003**

Project Title: A Decision Support System for Mid-Atlantic Wheat Producers to Locate Value in the Supply Chain

Principal Investigator(s)

Name	Institution/Agency/Other
Eluned Jones , Associate Professor	Agricultural and Applied Economics, College of Agriculture and Life Sciences, 12 month appointment in extension, research and teaching.
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Period of Proposed Project Dates:

Beginning: 9/2001

Ending: 8/2003

Amount Requested (maximum \$20,000 per year for two years):

Year 1: **\$19,948**

Year 2: **\$19,948**

ANDERSON RESEARCH FUND - RESEARCH PROPOSAL BUDGET

A Decision Support System for Mid-Atlantic Wheat Producers to Locate Value in the Supply Chain

Problem Identification and Related Research

The Bureau of Census 1998 Flour Milling report indicated that the volume of wheat ground for flour increased at a rate of 1.8% per year between 1988 and 1998 and is now over 900 million bushels domestic use. This is being driven by increased per capita consumption of wheat based products that has accounted for an increase from 130 pounds to 150 pounds per capita consumption of flour in the U.S. in the last decade (US Bureau of Census). The combined forces of lifestyle changes, changing demographics and increased manufacturing technology capabilities are aiding the expansion of the wheat based foods retail market (Milling and Baking, Kroskey).

Unfortunately, wheat producers have not necessarily benefited from this expansion. For the better part of the 20th century, producers have responded to signals emanating from government income support policies that encouraged a focus on increasing yield/acre while meeting a minimum of physical quality standards. Decades of focusing primarily on agronomic improvements and secondarily on market needs have resulted in western market economies being over-supplied by basic commodities such as wheat. The adoption of intensive management techniques by an increasing number of producers in the Mid-Atlantic states has resulted in a strong positive yield trend compared with the US wheat crop overall. Without a corresponding increase in product demand, soft red winter (SRW) wheat grown in this region has sold at a significant discount to Chicago wheat futures (approximately -\$0.50 at Norfolk, Virginia Spring 2001), and to hard red winter (HRW) wheat. Furthermore, the difference between HRW and SRW wheat futures in March 2001 indicated a further \$0.47/bu. differential. This differential increases to \$1.28/bu. F.O.B. mid-Atlantic flourmills.