

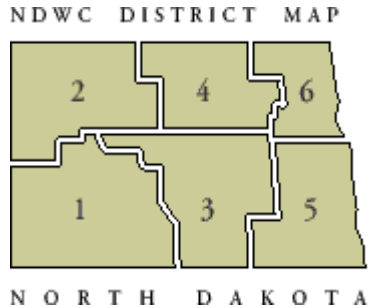
# North Dakota Wheat Commission Update

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# NDWC BOARD OF COMMISSIONERS



## OUR MISSION

- Build bigger better markets for ND premium wheat
- Promote, aid and develop marketing opportunities for ND wheat
- Sustain and improve state ag economy



District 1  
Jim Bahm  
New Salem



District 2  
Dustin  
Johnsrud  
Epping



District 3  
Jim Pellman  
McClusky



District 4  
Phil Volk  
York



District 5  
Greg  
Svenningsen  
Valley City



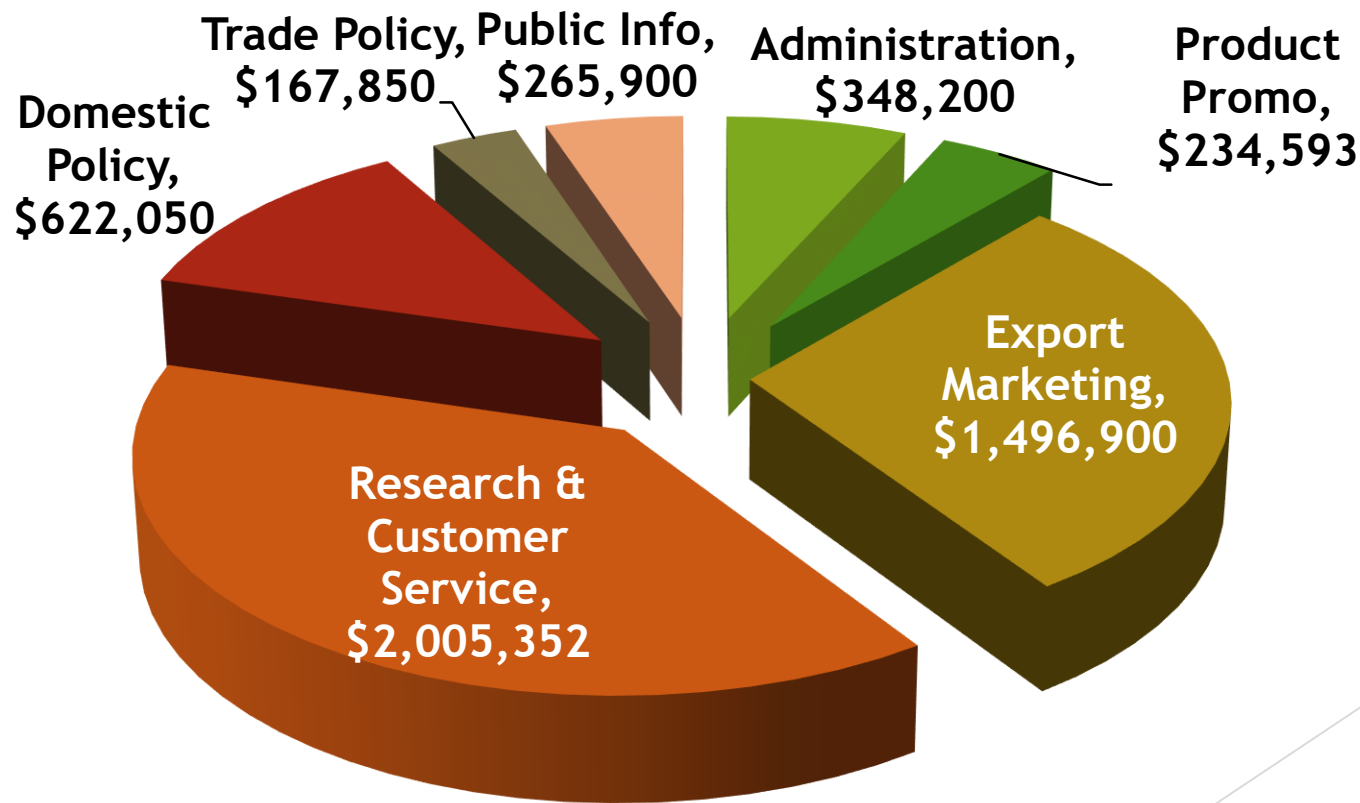
District 6  
Aaron  
Kjelland  
Park River



At Large  
Mark Birdsall  
Berthold

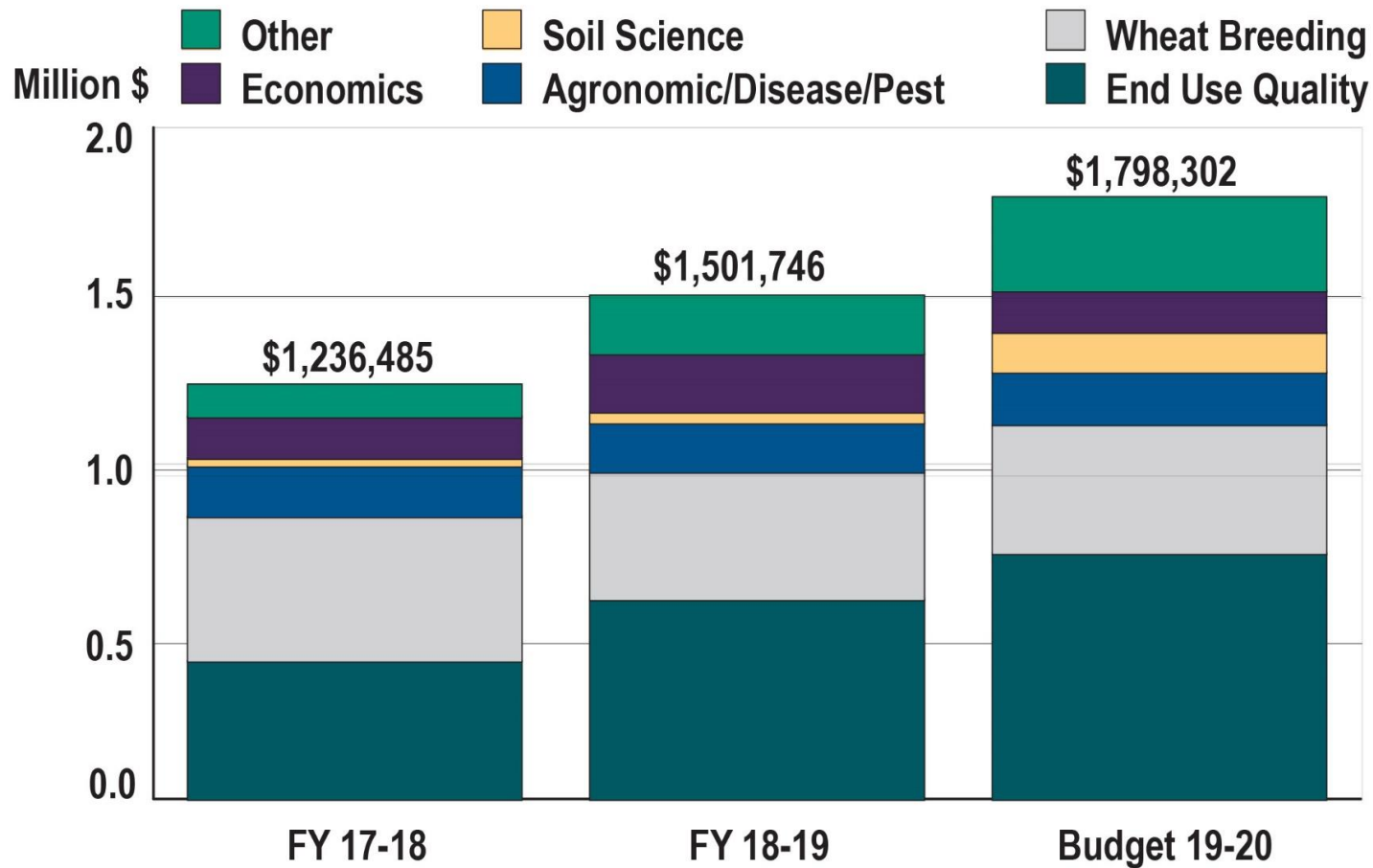
# SERVING PRODUCER PRIORITIES

**NDWC 2019-20 BUDGET - \$5,140,845**



# RESEARCH

## NDWC Research Expenditures at NDSU



# U.S. WHEAT ASSOCIATES FOREIGN OFFICES AND REGIONS



**Export Marketing Main Goal: Boots on Ground  
Where it Matters Most**

# NDWC - Main Issues in 2019-20

- ▶ Trade issues impact wheat exports
  - ▶ Strong world demand for high quality wheat
- ▶ Adverse weather caused significant harvest delays and quality issues
  - ▶ Unusually large amount of unharvested acres for both HRS and durum
  - ▶ Significant quality discounts - color, falling number, DON, etc.
- ▶ Increased customer concerns regarding residue levels, food safety, labeling, etc.

# RECENT TRADE AGREEMENTS

- **USMCA (U.S., Mexico, Canada Trade Agreement)**
  - Mexico is a significant wheat market
  - Canada presents less opportunities for U.S. wheat, and more of a price depressing impact with imports. However, new agreement would remove automatic feed grade designation of U.S. grown wheat, as long as it is a registered variety.
  - Ongoing efforts on Varietal Registration System
- **Japan Trade Agreement**
  - Big win for U.S. producers, as it prevented significant price disadvantage with Canada and Australia
    - By 2026 U.S. would have been at a \$1.90 price disadvantage
  - Japan is usually our #2 export market for U.S. HRS wheat
  - Premium prices for “near the top” quality

# RECENT TRADE DEALS

- **China - Longer Process - Intellectual Property, Financial Issues**
  - **U.S. wheat exports ground to a halt due to retaliatory tariffs on U.S. products - was a 60 million bushel market**
    - HRS was preferred class of wheat
  - **Phase one of the trade deal signed in January**
    - China committed to buy more U.S. ag products
    - Enforces 2 WTO wins
      - China to fulfill TRQ (tariff rate quota) set by WTO. TRQ amounts to 350 million bushels of wheat - does not have to be U.S.
      - Will potentially be a huge market for US wheat
      - So far, no new purchases of U.S. wheat - buying from other sources
      - Reduce significant domestic subsidies on wheat - huge supplies are burden on world markets
  - **Very tight ergot specifications a current concern and ongoing efforts continue to ease limits (.01% max as compared to .05% in U.S.)**



# OTHER TRADE ISSUES

- ▶ EU - Potential threat of tariffs on a wide variety of U.S. goods (including ag products) due to ongoing dispute over aircraft production subsidies in the U.S.
  - ▶ U.S. HRS on list of “potential” tariffs
  - ▶ UK market has already reduced purchases of U.S. wheat over the threats.
  - ▶ USW hoping this will be resolved soon
- ▶ Egypt - ergot limit lead to rejected HRS shipments - more political than scientific
  - ▶ Numerous other examples like this from other countries

# Top 10 Customers for U.S. Wheat

5-year average



# OTHER ISSUES

## ▶ Residue levels

- ▶ Started with durum in EU - pre-harvest glyphosate applications scrutinized. Continues to spread. EU may not renew glyphosate license in 2023.
- ▶ Certain customers in Italy want non-detectable levels - 10 ppb or less. Nearly impossible. Current residue levels fall well below any maximum residue limits. Vary by country by range from 5 to 30 ppm.
- ▶ Started in Europe, but growing concern in some Asian markets and even Africa.
- ▶ Other chemical residues also closely watched.

## ▶ Clean label

- ▶ Consumers want fewer chemicals and additives on ingredient labels. May actually be beneficial for spring wheat since it is a stronger wheat and requires fewer additives.

# OTHER ISSUES, cont.

## ▶ Sustainability

- ▶ Difficult to deal with - everyone has a different idea or definition.
- ▶ Water use, chemical use, soil health, environmental friendly packaging, etc.

## ▶ Contamination

- ▶ Soybean and buckwheat are main concerns because they are allergens.

## ▶ Food safety

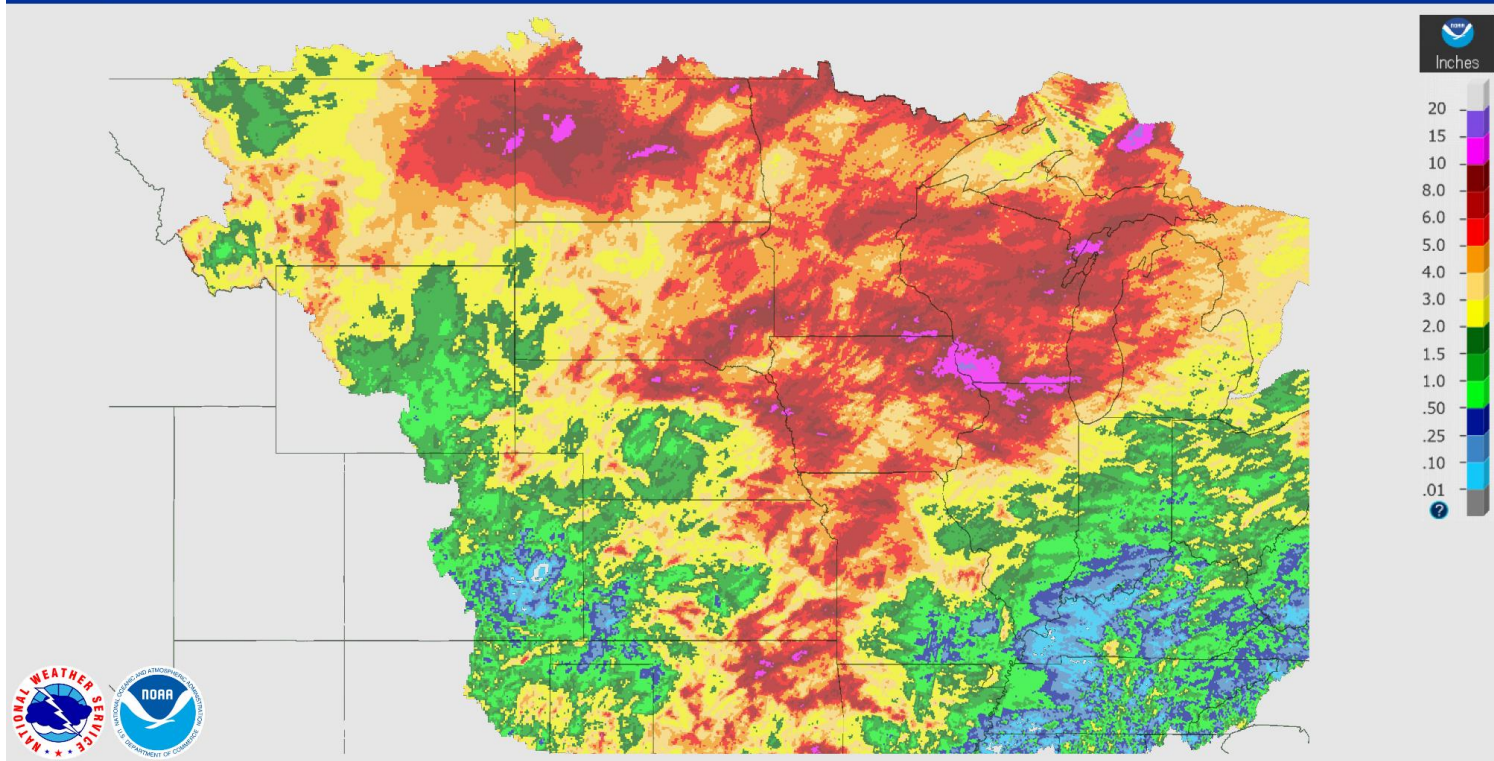
- ▶ Flour recalls due to E. coli, etc.

# HRS and Durum Region - 30 Day Precipitation Totals, Sept. 2019

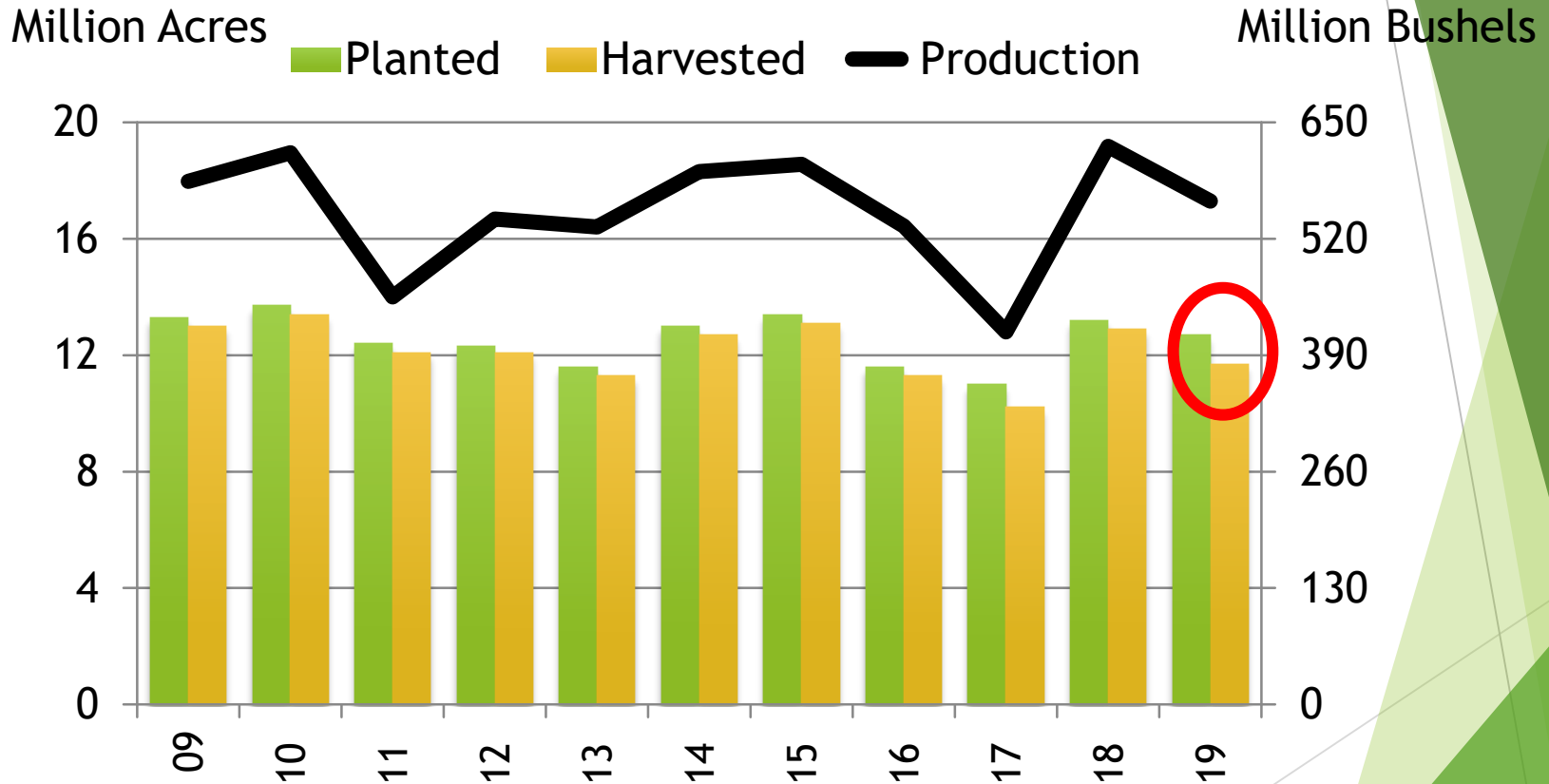
September 26, 2019 30-Day Observed Precipitation

Created on: September 26, 2019 - 13:46 UTC

Valid on: September 26, 2019 12:00 UTC



# U.S. SPRING WHEAT PLANTINGS & PRODUCTION



\* Typically includes 30-60 million bushels of white spring wheat.

# MGE Nearby Futures



# U.S. HARD RED SPRING SUPPLY & DEMAND

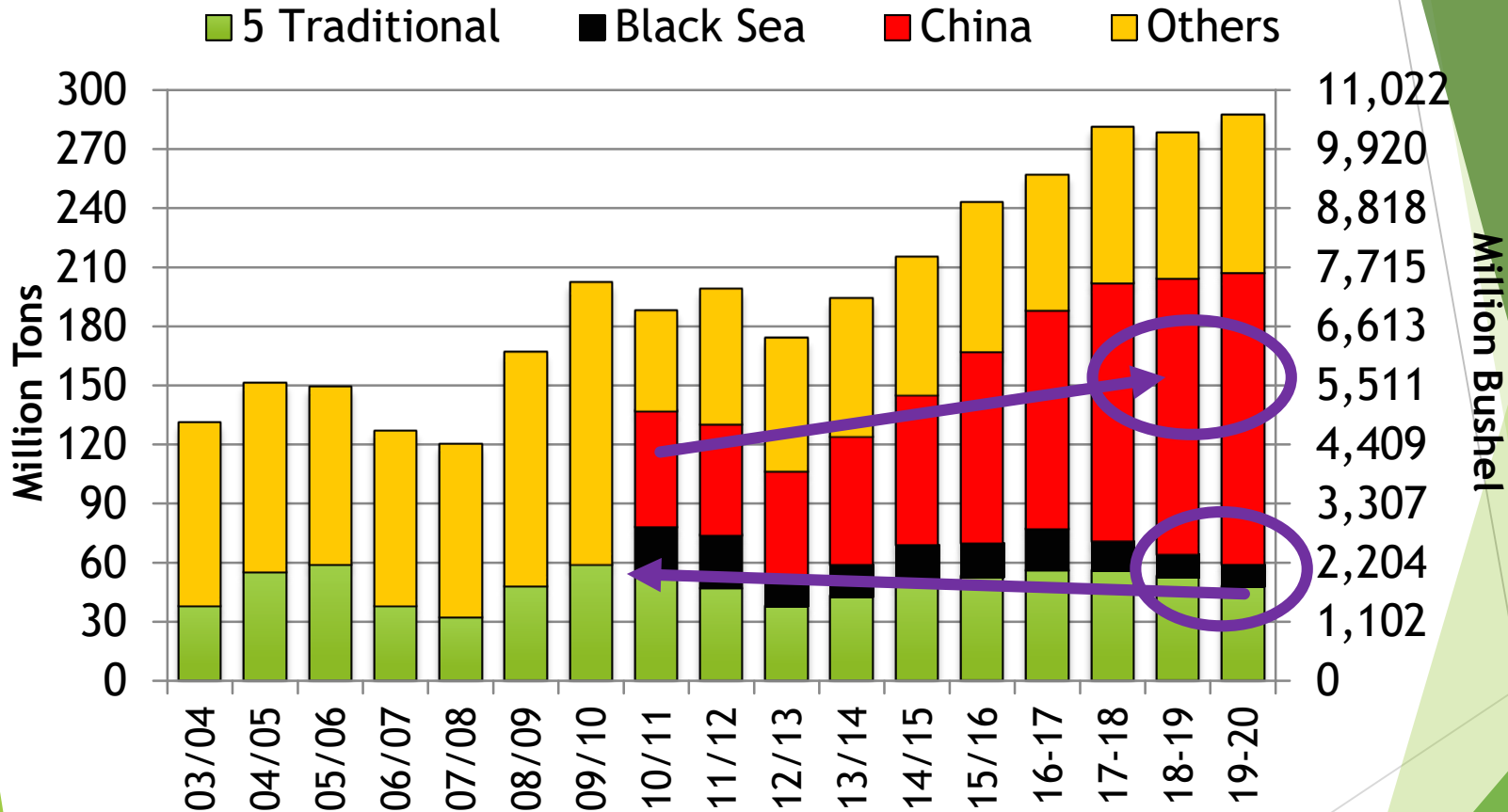
Million Bushels

	15-16	16-17	17-18	18-19	Proj 19-20	Change
Beg Stocks	212	272	235	191	263	+38%
Production	568	491	384	587	522	-11%
Imports	48	42	88	68	50	-25%
Tot Supply	828	805	707	846	835	-1%
Dom Use	304	249	288	324	311	-4%
Exports	252	321	228	259	275	+6%
Tot Use	556	570	516	583	586	+1%
End Stocks	272	235	191	263	249	-5%
S/U Ratio	49%	41%	37%	45%	42%	

Source: USDA February 2020



# WORLD WHEAT STOCKS

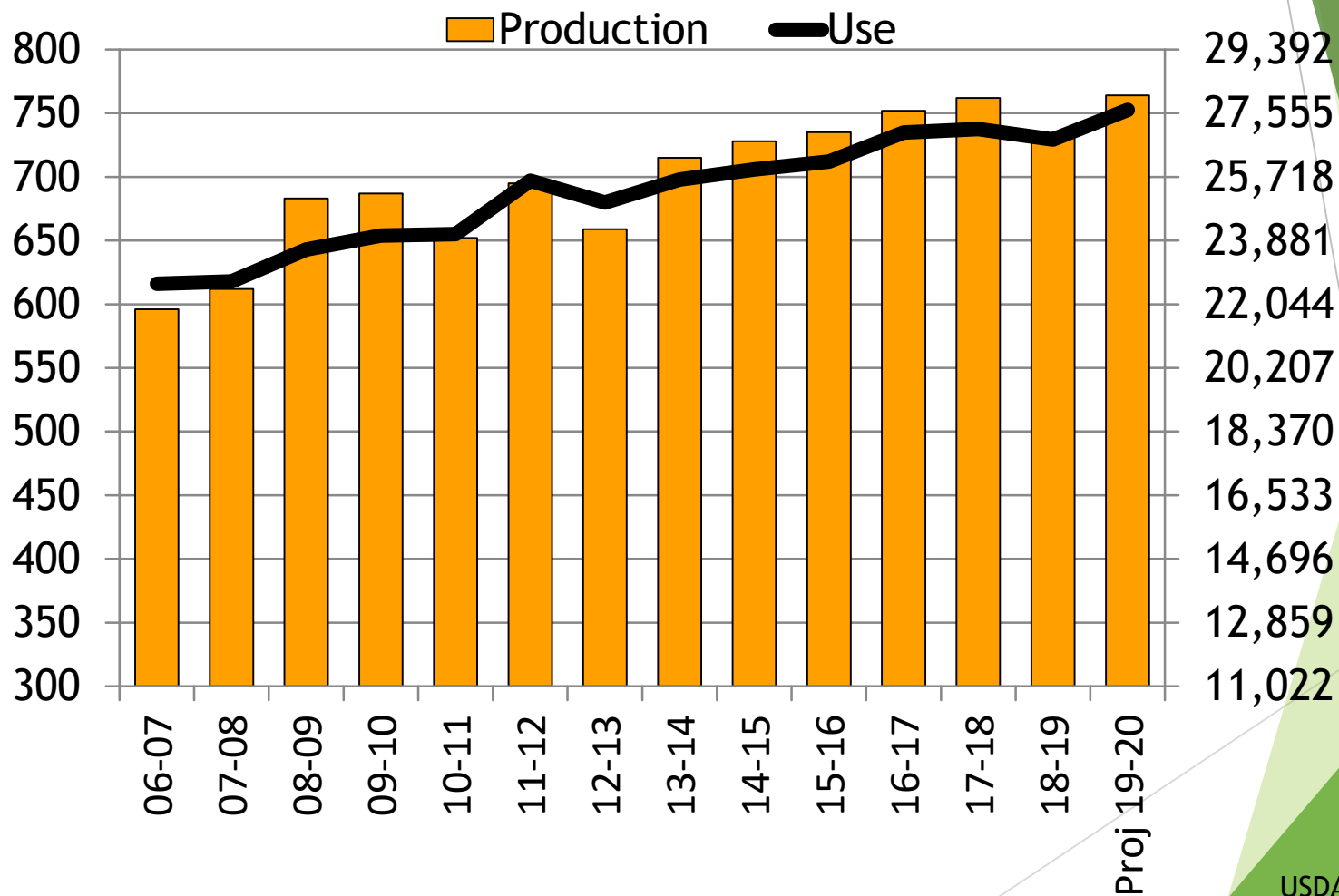


\*5 Traditional include: U.S., EU-27, Canada, Australia and Argentina

# WORLD WHEAT PRODUCTION/ USE

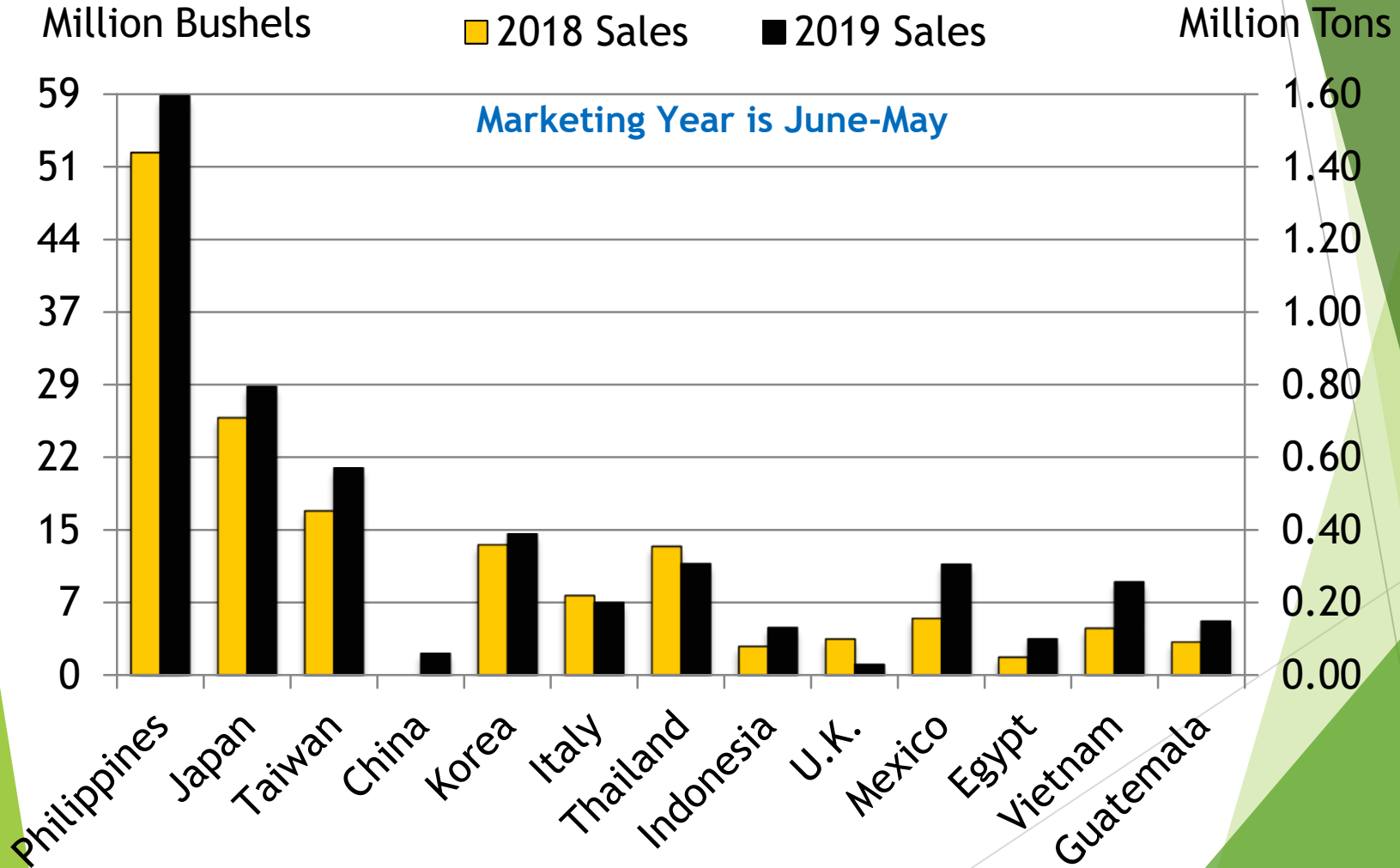
Million Ton

Million Bushel

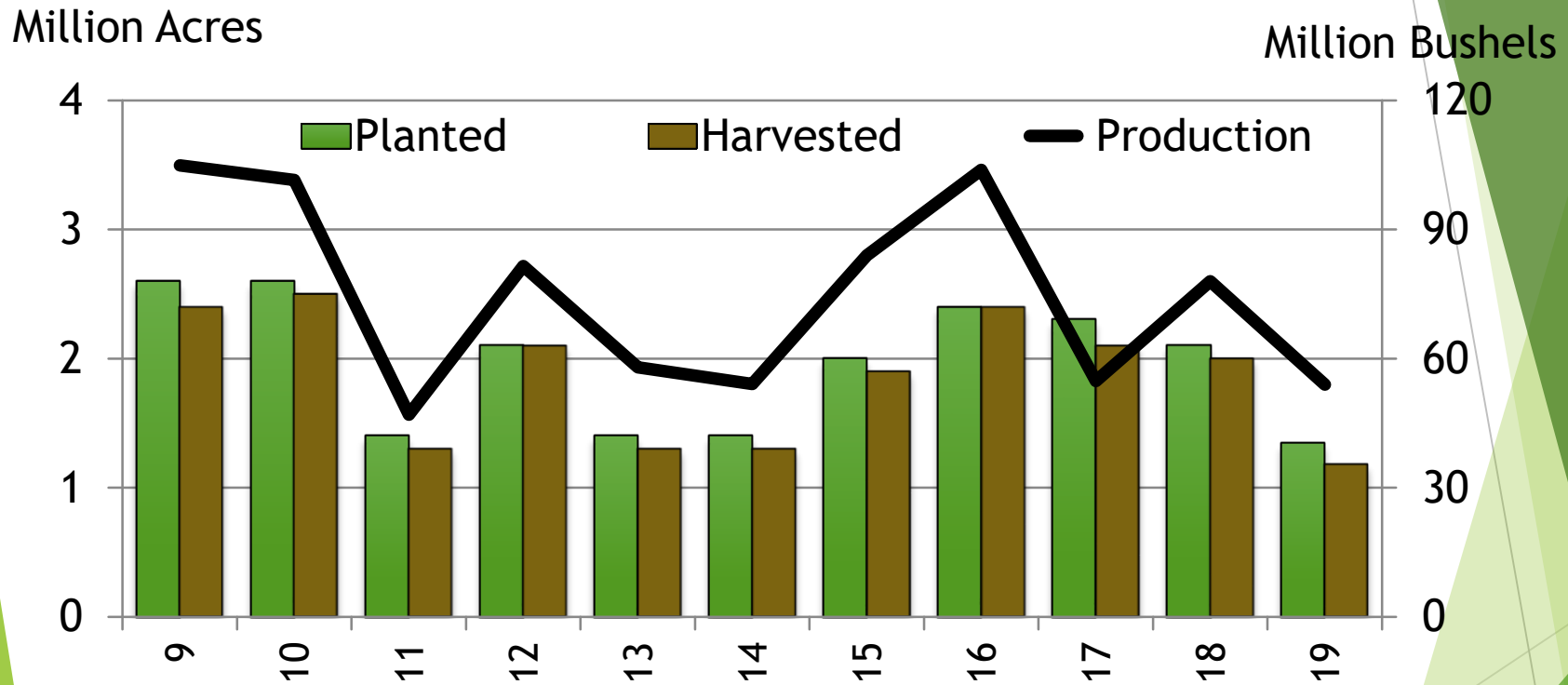


# EXPORT SALES OF U.S. HRS WHEAT

(Year-to-Year comparison - As of Feb. 6)



# U.S. DURUM WHEAT PLANTINGS & PRODUCTION

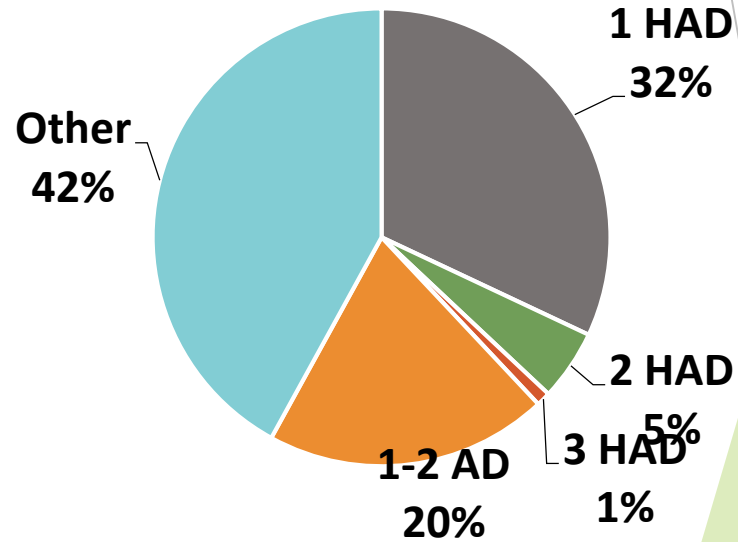


Source: USDA Small Grains Summary

# Northern Durum

# Grade Distribution

2019	2018	
32%	78%	Graded #1 HAD
5%	8%	Graded #2 HAD
1%	2%	Graded #3 HAD
20%	9%	Graded #1-2 AD
42%	4%	Other



# U.S. DURUM SUPPLY & DEMAND

Million Bushels

	15-16	16-17	17-18	18-19	Proj 19-20	Change
Beg Stocks	26	28	36	35	55	<b>+57%</b>
Production	84	104	55	78	54	<b>-31%</b>
Imports	34	30	51	52	40	<b>-23%</b>
Tot Supply	144	162	142	165	149	<b>-10%</b>
Dom Use	86	101	90	88	88	<b>+0%</b>
Exports	30	24	18	22	40	<b>+82%</b>
Tot Use	116	126	107	110	128	<b>+16%</b>
End Stocks	28	36	35	55	21	<b>-62%</b>
S/U Ratio	24%	29%	33%	50%	16%	

Source: USDA February 2020

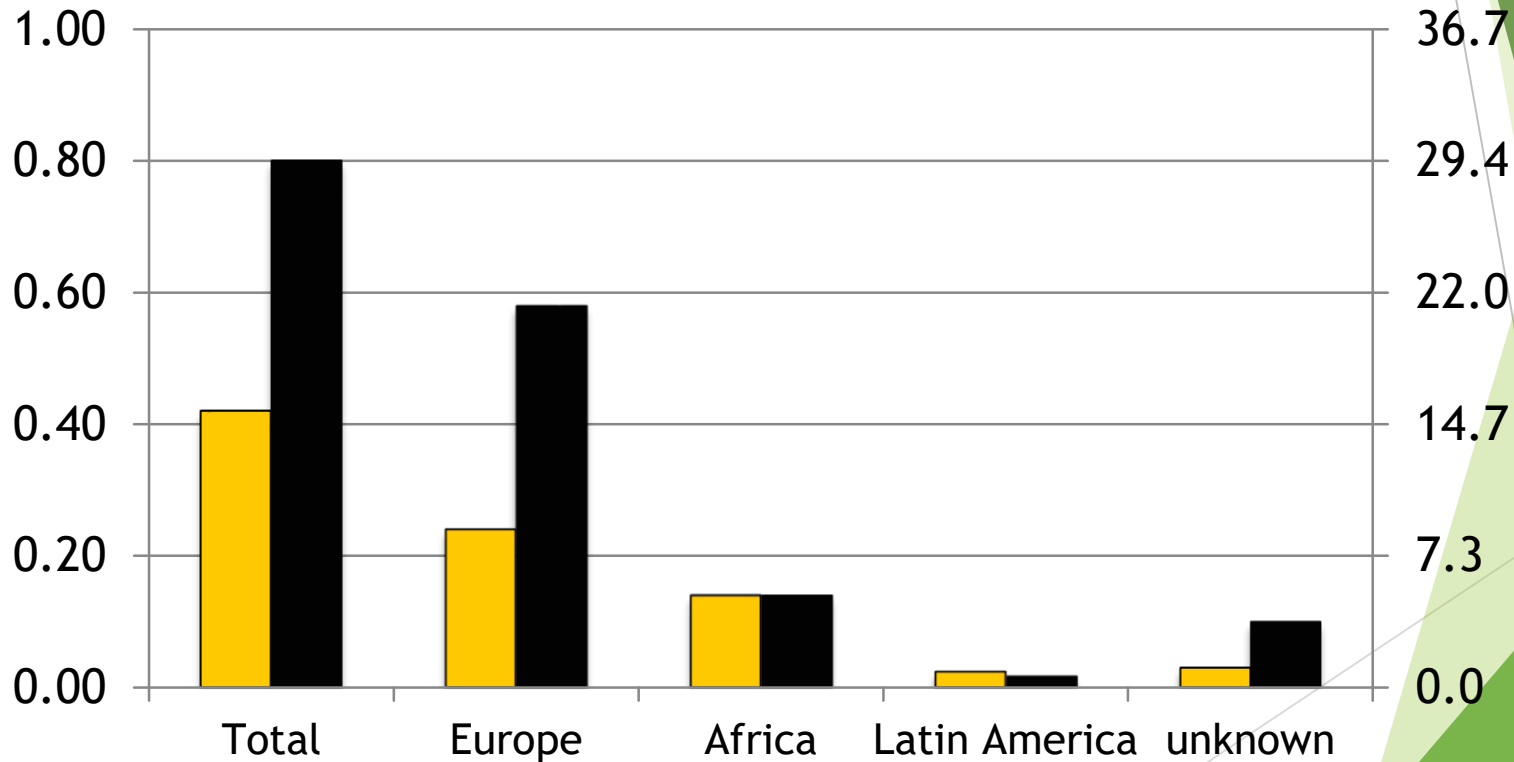
# EXPORT PACE - U.S. DURUM

as of February 6, 2020

Million Tons

Million Bushels

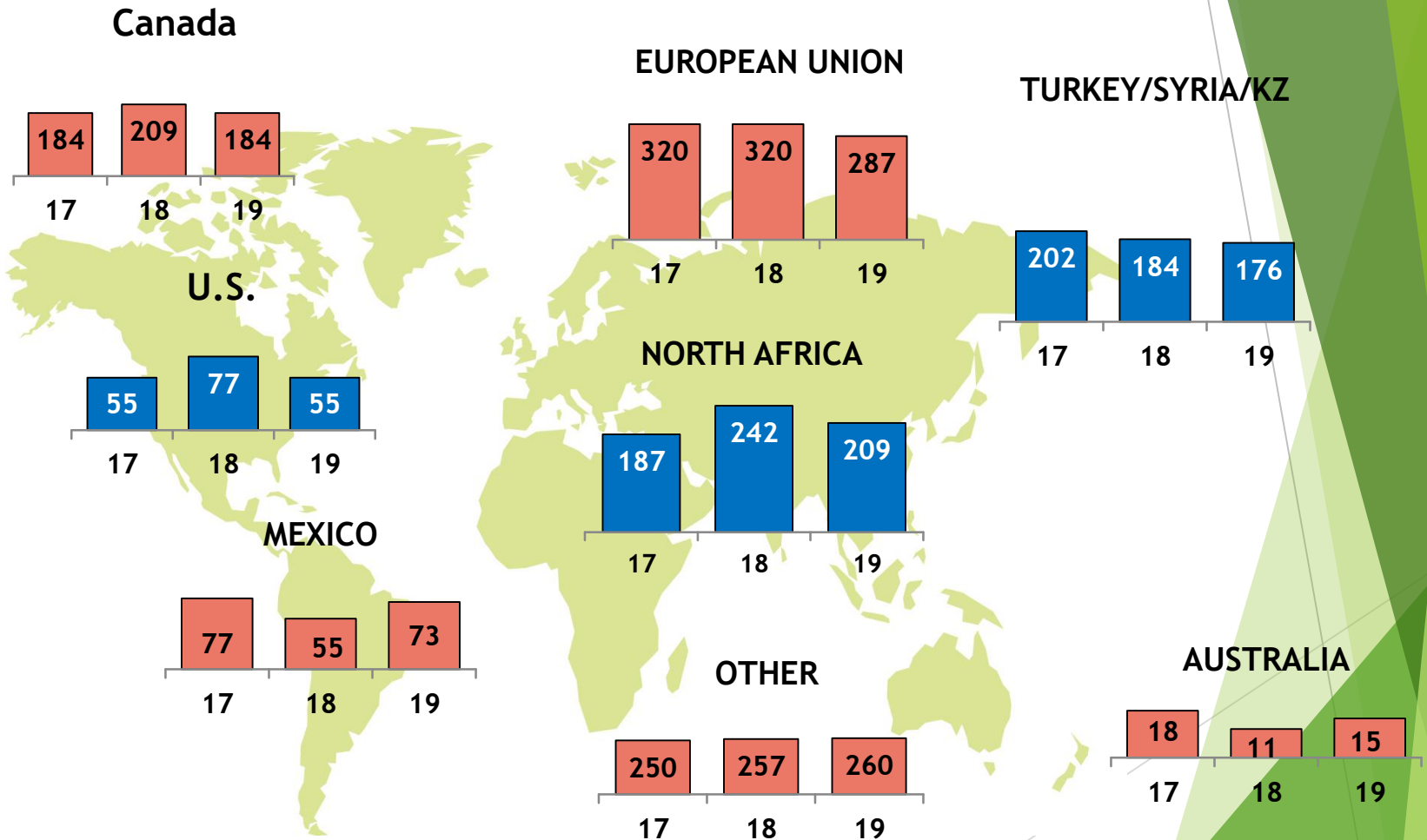
■ 18-19 ■ 19-20



2/13/2020

# WORLD DURUM PRODUCTION - MAP

(Million Bushels)



Source: Int'l Grains Council/Stats Canada  
January 2020

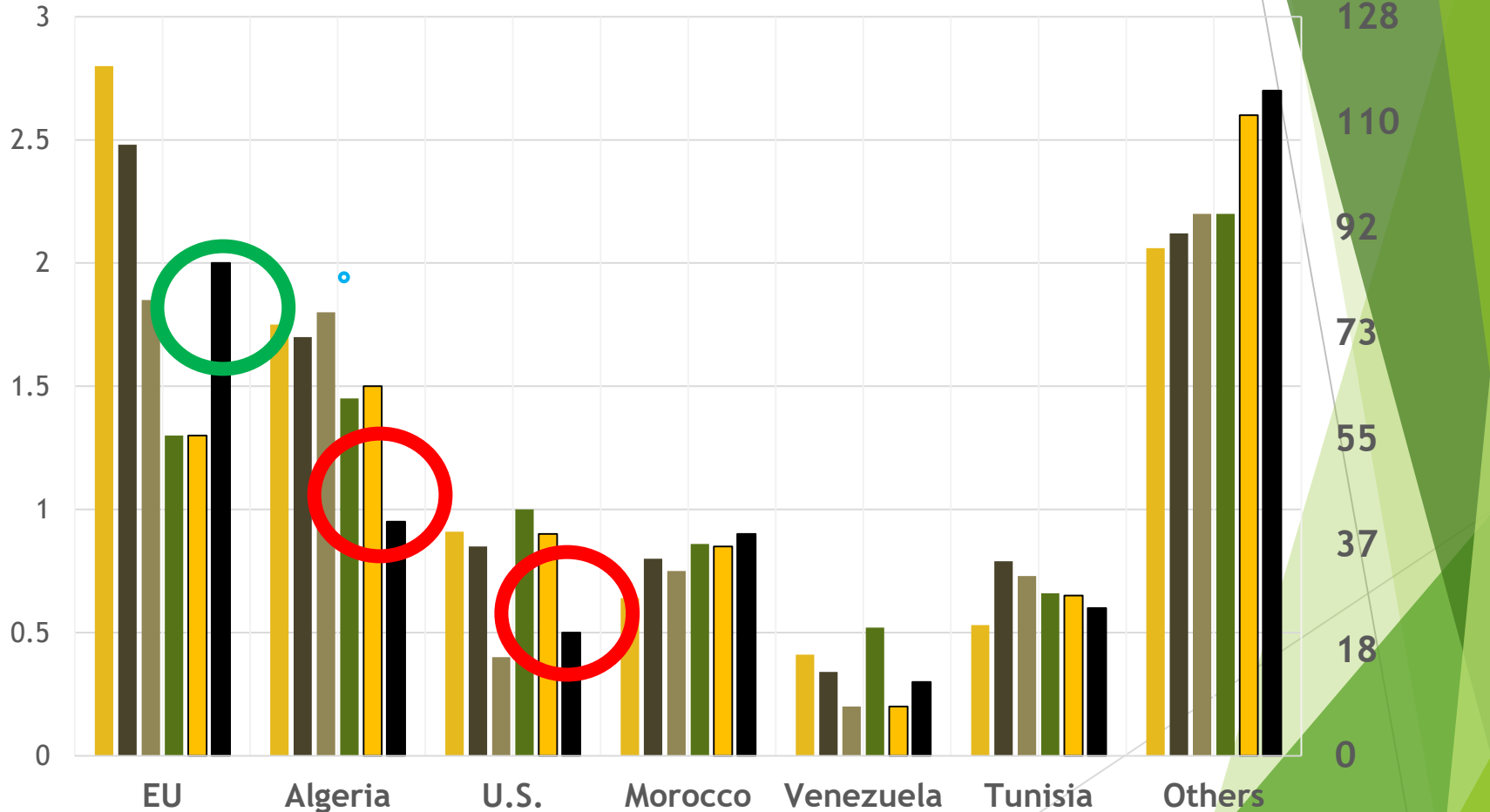


# World Durum Imports

Million Tons

Million Bushels

2014 2015 2016 2017 2018 2019



# Potential Price Influencing Factors for Wheat

## Positive

- ▶ U.S. winter wheat acres drop again - second lowest level ever
- ▶ Uncertainty over spring and durum acres
- ▶ Australia drought - reduced supplies and opened export opportunities in S Asia
- ▶ Early concerns over 2020 crop - wet fall in EU, dry in US HRW and Russia
- ▶ Trade - China purchases? Progress in other agreements
- ▶ Unexpected world events

## Negative

- ▶ World wheat supplies and stocks viewed as “abundant”
  - ▶ HRS specific stocks also at relatively large levels
- ▶ Lack of Chinese purchases of U.S. wheat
- ▶ Political climate
- ▶ Trade uncertainty
- ▶ Unexpected world events - Coronavirus just one example

Thank you!

The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. These shapes are primarily located on the right side of the slide, creating a modern, layered effect against the white background.

## AVERAGE QUALITY FACTORS FOR U.S. NORTHERN GROWN DURUM WHEAT

<b>QUALITY FACTORS</b>	<b>2019</b>	<b>2018</b>	<b>5YR.</b>
<b>KERNEL DATA</b>			
Test Weight - lb./bu.	61.1	61.4	60.5
Protein % (12% moisture)	13.9	14.5	13.9
Damage %	2.3	0.3	0.4
Falling Number (seconds)	345	425	384
Vitreous Kernels %	64	90	87
Grade	2AD	I HAD	I HAD
<b>SEMOLINA DATA</b>			
Semolina Extraction (%)	57.5	69.3	67.1
Gluten Index (%)	67	57	60
Mixogram (1-8)	6.4	5.3	5.3
<b>SPAGHETTI PROCESSING DATA</b>			
Color Score (1-12)	7.8	8.3	8.7
Cooked Firmness (g-cm)	3.8	4.5	4.4