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DAKOTA GOLD

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Clough and O'Toole Re-elected to ND Wheat Commission

North Dakota Wheat Commission elections for the 2010-2014 term are complete with David Clough, Fessenden re-elected to serve the South Central District and Brian O'Toole, Crystal re-elected to serve the Northeast District. Both producers will be serving their second four year term.

Wheat producers in each of the commission's six districts have the opportunity to determine who will represent them in shaping the policies and priorities of the checkoff-funded organization which primarily works on export marketing, trade policy and issues, research, and product promotion initiatives. Each county within a district elects a producer to serve as their county representative who in turn elects a district commissioner from amongst themselves. The county representatives act as a liaison to the Commission. The six district commissioners, plus the governor appointed commissioner make up the seven member board for the NDWC.

David Clough was first elected to the NDWC in 2006 and has served as the Wells County representative to the NDWC since 1994. Clough is chairman of the Northern Crops Council and is an alternate on the U.S.

Wheat Associates Board of Directors. He has served on the board of directors for the Wells County Farm Bureau and also served on the boards of the Wells County Better Feed & Grain group, First Lutheran Church and is active in the Jaycees, and Fessenden Chamber of Commerce. Clough raises wheat, soybeans, edible beans and sunflowers, and is a Vermeer equipment dealer. He and his wife Aileen have two children.

Brian O'Toole was first elected to the NDWC in 2006 and has served as the Pembina County representative since 2002. O'Toole is the Commission liaison to the Wheat Marketing Center in Portland, OR and is an alternate on the U.S. Wheat Associates Board of Directors. He also sits on the SBARE Wheat Granting Committee. He is a past president of the North Dakota Crop Improvement and Seed Association and is a board member of the Pembina County Farm Bureau and is a past board member of the Pembina County Memorial Hospital and Crystal Co-Op Elevator. O'Toole is president of T.E. O'Toole Farm Seed Company and was recently appointed to the Agronomy Seed Farm Council as the NE North Dakota representative. He holds a pilot's license and produces wheat, edible beans, soybeans and sugar beets. He and his wife Sara have four children.

Producers elected to serve as county representatives in the districts are listed below.

District III--South Central

- Burleigh - Blaine Doppler, Menoken
- Eddy - Jeff Topp, Grace City
- Emmons - Tom Bernhardt, Linton
- Foster - Charles Linderman, Carrington
- Kidder - Tim DeKrey, Steele
- Logan - Cory Schlecht, Fredonia
- McIntosh - Terry Ulrich, Ashley
- McLean - Don Paulson, Coleharbor
- Sheridan - Jordan Miller, McClusky
- Stutsman - David Gasal, Jamestown
- Wells - David Clough, Fessenden



District VI--Northeast

- Cavalier - Leon Hiltner, Wales
- Grand Forks - Gerald Uglem, Northwood
- Nelson - Greg Daws, Michigan
- Pembina - Brian O'Toole, Crystal
- Walsh - Aaron Kjelland, Edinburg

DURUM VARIETY APPROVED FOR RELEASE

The advanced experimental durum line #D00095 was recommended for release by the NDSU Variety Release Committee with a unanimous vote. The new NDSU variety, officially named Tioga is a cross between Plaza and Maier and shows very noticeable improvements in the quality characteristics sought by domestic and international users. Specific quality characteristics include good test weight, high protein, a high gluten index and mixograph scores and improved pasta cooked firmness. The improved quality characteristics are coupled with high yield and tall plant height with good resistance to lodging. Limited amounts of foundation seed will be available throughout the state. The NDWC provides funding support for the breeding programs at NDSU to aid development of new varieties for the state's producers.



2009 NDSU Durum Variety Trials

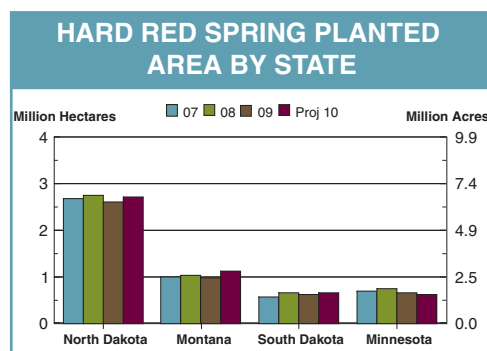


2010 SURVEY INDICATES HIGHER SPRING WHEAT ACRES

USDA's survey of producers in early March indicated the potential for a 5 percent increase in planted acres of spring wheat. This could take total U.S. acres to 13.9 million as compared to 13.3 million last year, and just slightly below the 14.2 million planted in 2008. Factors which are creating the increased interest in spring wheat are lower winter wheat acres in South Dakota and Montana, good fall moisture in much of the region and the fact that potential returns for spring wheat still compare favorably with other non-broadleaf crop options where producers need to maintain a good crop rotation to minimize disease, pest and other agronomic challenges.

The largest potential increase in acres is in Montana with 2.8 million projected, a 17 percent increase from 2.4 million last year. North Dakota plantings were projected up 250,000 acres, a 4 percent increase to 6.7 million, followed by South Dakota at 1.6 million, up 100,000 acres. Minnesota was the only major hard red spring wheat state to indicate a decline, with acres potentially falling by 100,000 to 1.5 million.

Actual survey estimates for 2010 acres came in slightly higher than expectations, and a favorable, early start to the planting season should support final numbers holding close to the initial estimate. As of mid-April, 20 percent of the crop had already been planted well ahead of 6 percent last year and the five-year average of 14 percent. A factor which has likely changed interest in HRS in parts of North Dakota and Montana is the higher loan rate for durum. Some analysts feel this will lead to a shift to higher durum acres from the March survey. If we achieve a higher level of planted acres it does not imply a parallel increase in production. It will likely be difficult to replicate the record yield of 45 bushel per acre set last season. Based on current acre expectations and a five-year average yield, production will likely fall below 500 million bushels, about 10 percent lower than the 2009 crop. Combined with expectations for some improvement in overall demand in 2010, this should be positive for 2010 crop prices as the marketing year progresses.



Source: USDA March 2010 Plantings Report

U.S. WINTER WHEAT CROP RATINGS HIGH

The 2010 U.S. winter wheat crop is rated 69 percent good to excellent, well above the 43 percent rated good to excellent in mid-April last year. Only 6 percent of the crop is rated poor to very poor compared to nearly 30 percent last year. Texas and Oklahoma's hard red winter crops are most improved over a year ago, whereas the soft red crop in both Illinois and Missouri are off to a poorer start.

Cool, wet conditions in the central and southern plains have benefitted crop ratings

this year, but it has also slowed the development of the crop. Only 6 percent of the crop is headed compared to 13 percent last year with none of the crop in Kansas headed yet. The stronger crop ratings have boosted yield expectations for the crop, which will compensate for the reduced acres and later planting dates. USDA's first production estimate for the winter wheat crop will be released in early May.

The North Dakota Wheat Commission (NDWC) works to improve the economic well-being of North Dakota wheat producers and the economy of North Dakota through export market development, domestic promotion, research, policy and public information initiatives. Wheat producers fund the effort with a checkoff of a penny and a half per bushel.

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LARGE WORLD DURUM SUPPLIES EXPECTED TO SHRINK SLOWLY INTO 2010

Record world durum production in 2009 continues to weigh on world market prices but a combination of reduced plantings in 2010 and an uptick in world durum demand are positive factors for the 2010/2011 marketing year. World production reached 1.5 billion bushels in 2009, up from 1.4 billion and 1.3 billion the previous two years. In 2010, world durum production could fall back to 1.35 billion bushels, based on smaller crop projections in Canada, North Africa and parts of Europe.

Last year production climbed to 227 million bushels in North Africa, compared to only 125 million in 2008 and a more typical level of 150 million. Due to the larger domestic crop, imports from Algeria, Morocco, Tunisia and Libya, are down by nearly 40 percent this year. This next season, production is expected to fall by 15 percent.

In Canada, early estimates are for a nearly 35 percent cut in durum plantings, as producers shift to lentils, canola and more spring wheat. This would be a positive for world durum prices, as Canada accounts for one-half of the world durum trade. In Europe, durum acres look to be higher in France, but down in both Italy and Spain.

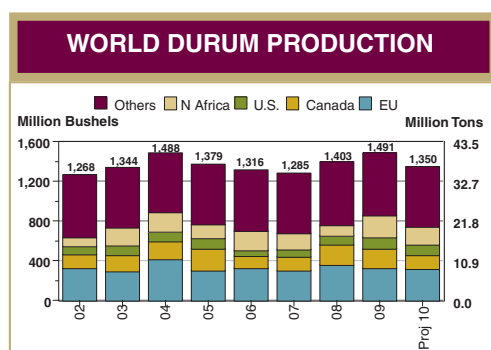
USDA released its first snapshot of potential 2010 acreage trends in the U.S. at the end of March. Based on producer surveys in early March, durum acres were projected to fall by 13 percent to 2.2 million acres. The Desert Durum areas of California and Arizona were projected down by more than one-third, while Montana acres looked to decline by 12 percent and North Dakota by 9 percent. Analysts had expected a greater cut in acres across North Dakota and Montana due to disappointing prices for durum, but a key factor in the greater interest in durum was likely due to the expectation that the loan level on durum would remain higher than hard red spring wheat again in 2010. In 2009 many durum producers received a significant loan deficiency payment, which made final returns on durum very comparable to 14 percent protein hard red spring wheat.

On April 20, USDA announced the 2010 loan levels for wheat, and average loan rates for durum in North Dakota, as expected,

widened their premium to hard red spring wheat. Durum loan rates increased by \$1.50 per bushel to more than \$6, whereas hard red spring only increased by \$.48 per bushel. This puts durum loan values at roughly a \$2.40 per bushel premium. This level of premium is likely to alter some planting decisions by producers in areas of the state where they can reasonably grow both hard red spring and durum with limited agronomic and quality challenges for durum.

In 2010 world trade in durum is expected to rebound by 5 to 10 percent based largely on increased import demand in North Africa. However, the economic trend in the EU may become a more important factor in the final volume and flow of world durum trade.

Stronger world trade opportunities will be positive for prices, but it may take some time to provide significant strength based on current inventories. Ending supplies in the U.S., Canada and the EU are projected to be nearly 200 million bushels in June 2010. This is up from 140 million last year and a mere 62 million in June 2008. In addition, the potential now for higher levels of durum in the U.S. in 2010 will add to the bearish supply situation.



Source: IGC, Stats Canada
2010 NDWC Unofficial

HARD RED SPRING DEMAND IMPROVING

The latest USDA demand estimate for 2009 U.S. hard red spring wheat showed a 5 percent gain from the March to April. Export projections increased to 210 million bushels, up from 195 million, and domestic demand increased to 268 million, up from 258 million. If these projections are reached by the end of May, exports would be equal with the previous year and domestic demand would fall just 5 million bushels short. In a year where demand has been difficult to capture with the world awash with wheat this is a positive trend.

On the export front, improved buying interest from Japan and other markets in Asia has boosted our current sales pace to 202 million bushels, equal to the pace last year. Much of the year, exports had trailed by 5 to 10 percent. Sales to Japan have now reached 52 million bushels, just shy of the 54 million sold last year by mid April. It seems buyers were not able to secure the protein levels they needed in the world market and have pressed the U.S. market to attain higher protein wheat at a premium price. In some cases they have also lowered their protein specifications to take advantage of the greater pool of mid 13 percent protein wheat. The later sales surge has left more wheat left to be shipped by the end of May, 36 million bushels versus 28 million. This factor combined with slower producer sales now that spring planting has commenced should support good basis levels into spring.

On the domestic front, the lower than average protein hard red spring wheat crop is being used more heavily in domestic mill grinds than previously estimated. In addition, some domestic mills are trying to secure additional pipeline supplies of mid to higher protein hard red spring wheat, as protection against expectations for a lower than average hard red winter harvest in 2010. This is based on excellent growing conditions for the crop to date because of generally cooler, wetter conditions.



by Jim Peterson, Marketing Director



END-USER QUALITY DEMANDS GETTING TIGHTER

Consumer demands and industry mechanization are driving a need for higher quality and more consistent wheat and flour further up the chain, according to Vance Taylor, manager of the North Dakota Mill. Take for example, McDonalds; when customers order a burger they expect to get the same quality bun each time and the employees that produce the bun expect to use the same equipment and settings to get that quality. As a result companies rely on more mechanization and computer operated systems. This creates a demand for more consistent flour and has changed the way the industry must operate.

Taylor says it has forced them and other mills to be more careful when purchasing wheat. They must bin different quality wheat separately and do more blending to meet the tighter specifications of their customers. Each customer's demands are different and to meet the demand, the North Dakota Mill produces about 250 different flour blends, which vary by protein, added ingredients, packaging, etc., for their customers. Customers appreciate hard red spring wheat because of its strength over other classes of wheat and the standard they are used to is 14 percent protein. Taylor says the mill's location in North Dakota gives them an advantage, "we are located in a state where the best wheat in the world is produced and we get a high quality product from the crop our producers grow."

North Dakota producers have always aimed to produce the high protein wheat demanded and expect to in the future, but when the

growing season conditions produce a crop with below average protein levels it creates challenges for the entire wheat industry. The first and likely greatest impact is to the producers with protein discounts and it continues up the chain. A bakery regularly requires 13 percent wheat flour (made from 14 percent protein wheat, about 1 point of protein is lost during milling), it is not easy for them to switch over to 12 percent protein flour. That one percentage point in protein makes a huge difference in product performance and final product quality. Factors like mixing properties, water absorption and loaf volume can be affected so additives must be included and changes in the baking process may need to be made, both of which require process adjustment, and added testing time and cost.

The lower protein hard red spring wheat crop in 2009 has been a challenge, but the industry has made the needed adjustments for process time and additives to utilize a lower protein level. Where adjustments can't be made for the finished product, customers are paying a significant premium to find sufficient protein. It is a challenging issue for all, with end-users making significant adjustments to maintain product quality and producers faced with significant discounts for low protein. Hopefully 2010 will deliver a higher average and more balanced distribution of protein in the crop. This should narrow protein spreads in the market, but the long-term industry demand for consistent, high quality wheat will not diminish.

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