

COMMISSIONERS
ELECTED 2

WHEAT MARKET
REVIEW 3-4

PLANTING PROGRESS 6

DAKOTA GOLD

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BRINGING THE CLASSROOM TO THE CUSTOMER

(Excerpts of story from Dr. Simsek's travel report) U.S. Wheat Associates (USW) and the North Dakota Wheat Commission (NDWC) have been providing customer service activities to promote U.S. wheat for decades. In many cases, customers are brought to the U.S. on educational trade teams and for shortcourses that provide instruction on

procurement and quality, but recently the groups decided to bring the classroom to the customers. Dr. Senay Simsek, Assistant Professor at North Dakota State University, presented "Basics of Wheat Quality" seminars to more than 150 participants in the Philippines. The seminars were scheduled in response to requests by the milling industry in the Philippines who saw a strong need for this type of information. Assisting with the seminars were Joe Sowers, USW Assistant Regional Director, Manila, Philippines and Boy Ng, USW Technical Consultant, Manila Philippines. The seminars were sponsored by USW, NDWC and the Montana Wheat and Barley Committee.



Dr. Simsek, NDSU Wheat Quality Specialist at one of the Philippine flour mills.

Dr. Simsek's seminars provided fundamental information on protein, lipid and starch chemistry that affects end-use characteristics of wheat and flour. Special research topics, variety development activities and fundamentals of flour and dough testing topics were also covered. The information presented in the seminars reinforced the superior functionality of U.S. wheat. A major issue among the milling industry is the influx of cheap, inferior quality flour imports that has affected domestic flour sales and is threatening to diminish the quantity of U.S. wheat imports. The seminars addressed this issue by helping bakers understand how the use of low-quality flour affects their end-product quality.

Seminars were held in Manila and Cebu with most of the major mills and bakeries represented. Dr. Simsek also visited with individual mills to discuss concerns and address questions not answered during the seminars. Some of the topics of discussion at the mill visits included: lowering ash content, the effect of wheat flour lipids on noodle quality, specific characteristics of hard red spring wheat varieties, quality of the 2011 crop and specific research projects such as refrigerated dough, whole wheat, and effects of vitreousness on milling and baking.

Dr. Simsek says, "the seminars and corresponding mill visits were designed to help participants more effectively and efficiently use U.S. wheat." The Philippines is the second largest market for U.S. hard

red spring wheat, purchasing an average of 31 million bushels each year. Through March of this year, the U.S. has exported about 42 million bushels of hard red spring wheat, which could put us on track for a record export

year, or at the least, the highest since the 1995-96 crop year. Continuing to address customer concerns and providing training and education is important to maintaining market share in an ever-increasing competitive environment.



Dr. Simsek, NDSU (fourth from right) and Joe Sowers, U.S. Wheat Associates (fifth from right) meet with participants at the seminar in Cebu, Philippines.

U.S. WHEAT ASSOCIATES CELEBRATES 50 YEARS IN THE PHILIPPINES

The Philippines is one of the oldest and most consistent markets for U.S. wheat. In February of this year, USW celebrated 50 years of partnership with Filipino flour millers, bakers and noodle manufacturers at a reception and dinner in Manila, Philippines. USW representatives, U.S. wheat farmers and U.S. diplomatic and agricultural officials joined about 150 guests to honor their customers in this developing island nation of 94 million people. David Clough, District III Commissioner from Fessenden, represented the NDWC at the event and reported that the millers and bakers appreciate the support of the U.S. wheat industry and their commitment to providing quality, reliable wheat.

MONOPOLY ENDS AUGUST 1, 2012

The Canadian Wheat Board will lose its monopoly on marketing western wheat and barley crops starting August 1, 2012 with the passage of Federal bill C-18 in late 2011. This will bring about many changes to both the Canadian and U.S. marketing systems. Canadian producers will now have the opportunity to market their wheat and barley to whomever they choose. Many scenarios have been projected by traders and others in the industry as to how trade flows

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BAHM AND LEIPHON ELECTED TO WHEAT COMMISSION BOARD

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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Jim Bahm, New Salem, was elected to his first four-year term in District I and Francis Leiphon, Crary, was elected to his third four-year term in district IV of the North Dakota Wheat Commission (NDWC). Bahm represents producers in 13 counties in the southwest part of the state and Leiphon represents 7 counties in north central North Dakota. They were elected by county representatives from within each of their districts who in turn were elected from producers in their respective counties through elections this winter. Their official terms will begin July 1, 2012. The Commission is comprised of seven members, six elected through District elections and one appointed by the governor. Commissioners shape the policies and priorities of the NDWC, and establish the annual budget for checkoff funded activities that primarily focus on research, export marketing, policy and domestic promotion activities.

Bahm has served as the Morton county representative to the NDWC since 2004. He is also active on the New Salem-Almont School Board, serves as Vice Chair of the Morton County Weed Board and Chairman of the Morton County Crop Improvement. Bahm grows hard red spring wheat, barley, flax, corn, oats and sunflowers on his farm near New Salem. He and his wife Labeth have four children.

Leiphon is the Ramsey county representative and has served as the Commissioner for District IV since 2004. He currently serves as Chairman of the NDWC and represents the Commission on the U.S. Wheat Associates Board of Directors. Leiphon is currently a director on the Forward Devils Lake Economic Development Corporation and is a past director for the Devils Lake Farmers Union Oil Co., Ramsey County Crop Improvement Association, Quentin Burdick Center for Cooperatives and Ramsey County Farmer's Union. Leiphon grows hard red spring wheat, durum, winter wheat, barley, canola and soybeans on his farm near Crary. He and his wife Kim have four children.

Other current Commissioners include Louis Kuster, Stanley; Brian O'Toole, Crystal; David Clough, Fessenden; Greg Svenningsen, Valley City, Harlan Klein, Elgin and Bruce Freitag, Scranton. Bahm replaces Klein, who will have served the allowable three, four-year term limits on the Commission on June 30, 2012.

Producers elected to serve as county representatives from July 1, 2012 through June 30, 2016 in the districts are listed below. Incumbents are denoted with an asterisk (*).

District I – Southwest

- Adams – Steve Wegner, Reeder*
- Billings – Loren Bock, Belfield*
- Bowman – Neal Freitag, Scranton
- Dunn – William Flaget, Halliday*
- Golden Valley – Andrew Smith, Beach
- Grant – Wes Frederick, Flasher
- Hettinger – David Anderson, Dickinson*
- Mercer – Gary Knell, Hazen*
- Oliver – Patrick Doll, New Salem*
- Sioux – Jamie Heid, Selfridge*
- Slope – Jim Powell, Bowman
- Stark – Bob Kuylen, South Heart

District IV – North Central

- Benson – Phil Volk, York*
- Bottineau – Lenny Artz, Bottineau
- McHenry – David Thom, Granville*
- Pierce – Ken Schaan, Rugby*
- Rolette – Matt Graber, Rolette
- Towner – Jeff Teubner, Cando*

HRS ACREAGE ESTIMATE SURPRISES MARKET

The 2012 planting intentions report, released on March 30 by USDA, surprised the hard red spring wheat market with 3 percent fewer acres than 2011. At just 12 million acres of all spring wheat, including both red and white, potential planted area could fall about 400,000 acres below the final acres last year, when a delayed, wet planting season left more than 2 million acres of wheat unplanted in North Dakota and Montana. Pre-report estimates were for spring wheat acres to be about 13 million with a portion of those unplanted acres to be recovered back into HRS. For context, 13.7 million spring wheat acres were planted in 2010.

It is clear from the early March survey of producers however, that the \$7.00 to \$7.25 new crop cash price being offered for HRS is not high enough to compete with canola, soybeans, malt barley and corn. While still profitable, most producers have higher price targets, especially considering the disappointing wheat yields in most areas in 2011, and

U.S. HRS SUPPLY/ DEMAND million bushels • June-May

HARD RED SPRING			
	11-12	12-13	% Chg
Beg. Stocks	185	143	-23%
Production	398	440	+11%
Imports	37	40	+8%
Total Supply	620	623	0%
Domestic Use	237	230	-3%
Exports	240	260	+8%
Total Use	477	490	+3%
End Stocks	143	133	-7%
S/U Ratio %	30%	27%	

Source: USDA and NDWC Unofficial

the greater market demands on quality compared to other crops, which can lead to significant price discounts in adverse weather years. Domestic and international buyers will

need to look at pushing new crop prices upwards, if they feel they want to secure additional acres. New crop spring wheat futures rallied as much as \$.60 per bushel after the report, but other crop prices, like soybeans have also improved. An early start to planting tends to favor higher final plantings for spring wheat, but tight supplies and high prices for urea (favors soybeans and pulse crops) may negate those potential gains this year.

Based on the 12 million planted acres estimate, roughly 11.4 million would be HRS. If a normal planted-to-harvest acre ratio is achieved, the five-year average yield of 40 bushel per acre would produce a crop of

440 million bushels. This would be about 12 percent higher than last year, as the 2011 yield fell to 37.7 bushels per acre. The early start to planting is positive for improved yields, but the important part of the growing season remains and 2011 proved that the last half of the season can have a big impact on kernel fill.

A mid 400 million bushel crop would keep overall supplies steady with this past year, and pared against prospects for improved demand, inventories of HRS could likely fall below this past year. USDA will not release official production and demand estimates for HRS until July, but a reasonable scenario could see exports grow by 5 - 10 percent. Strong demand continues into Asia where economic conditions are more stable, and the shift to privatized marketing in Canada may open additional opportunities for U.S. exports in other markets. The biggest gains may come in deferred market positions since buyers will need to pay the same risk premiums for either U.S. or Canadian supplies and quality over delivery by Canada will diminish.

Domestic demand will be harder to gauge as it will depend on the final protein levels in the U.S. hard red winter crop. This past year, domestic HRS demand was curtailed by good protein levels in the HRW crop and a \$.50 bushel premium or more for HRS. The HRS market premium remains into new crop positions, especially with the prospects for reduced HRS acres and the favorable yield outlook for HRW. If HRW protein levels are near average, greater domestic mill shift to HRW may continue, but if levels are low, demand for 14 and higher protein HRS will expand.

could take ending inventories sharply lower. Nearby future market spreads show the market premium that is being priced into HRS compared to other classes of wheat in the United States. While the premium has rationed demand in some markets it is clear many buyers are still pushing for protein.

U.S. DURUM ACRES TO REBOUND IN 2012

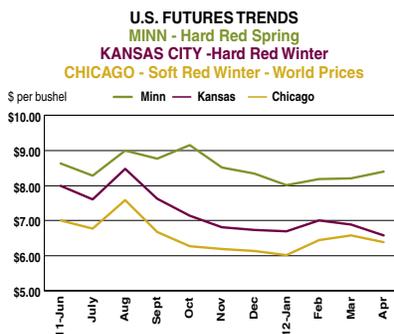
USDA's survey of producer intentions for the 2012 season, based on early March market conditions, revealed a potential increase across North Dakota and Montana to 1.96 million acres, compared to only 1.15 million in 2011. This would take total U.S. planted area to 2.22 million, up from 1.37 last year.

The estimate was at or slightly above most pre-report guesses, and with an average yield places production potential at 80 million bushels. Supplies would increase in the 2012 marketing year to roughly 140 million bushels, counting potential imports of 43 million and beginning stocks of 17 million. This would be up from last year and a bit higher than the tight period from 2007 to 2008 when supplies were around 132 million, but well below the recent highs of 170 million in 2009 and 2010.

Market trends and prices remain very similar to the pre-report levels with \$8 to \$8.50 per bushel offered for old-crop milling quality and \$7.50 to \$8 for new crop positions. As was proven this past marketing year, trends in world durum supplies and values will have a greater bearing on U.S. price trends. There are some potential positives developing for prices, but until more is known about 2012 acres in Canada, markets seem content to hold at current values.

A potential supply and demand scenario for U.S. durum in 2012 is illustrated in the table. Demand should improve as export opportunities look stronger. Emerging production problems in the EU, Morocco and Algeria bode well for North American durum exports, and the U.S. should be in a better position to capture a portion of the increased demand.

Latest estimates from Strategie Grains in Europe peg the durum crop at 287 million bushels, down 6 percent from last year. Early



Price prospects for HRS wheat look positive, even with a slightly higher production outlook, as ending stocks could fall to near the 130 million bushel level, compared to 143 projected for the end of this marketing year. Any further cuts to acres, or adverse weather



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**U.S. DURUM
SUPPLY/ DEMAND
million bushels
• June-May**

	DURUM		
	11-12	12-13	% Chg
Beg. Stocks	35	17	-51%
Production	50	82	+64%
Imports	41	42	+2%
Total Supply	126	141	+12%
Domestic Use	84	86	+2%
Exports	25	32	+28%
Total Use	109	118	+8%
End Stocks	17	23	+35%
S/U Ratio %	16%	19%	

Source: USDA and NDWC Unofficial

spring estimates were for a net gain in production over last year, but drought conditions in much of Spain, and parts of France and Italy have reduced yield potential. Spain's crop will likely fall 50 percent from last year. In Morocco, durum production has averaged over 60 million bushels the past three years, reducing import needs, but some private estimates have current production as low as 35 million bushels, setting the stage for stronger imports.

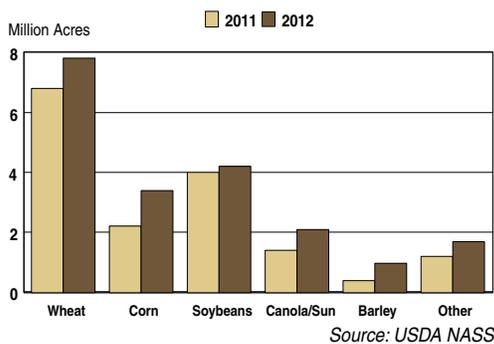
U.S. domestic demand for durum looks to remain steady to slightly higher, with some increase in feed use in the Desert Durum region. Milling bids for durum are not high enough to pull durum away from local dairies and cattle feeders in parts of Arizona and California which are deficit corn, and the feed market may offer the best option for producers with unpriced durum harvested in June. A significant portion of the upcoming Desert Durum harvest was pre-contracted as early as the summer of 2011 with U.S. domestic mills, as well as EU buyers so there is limited open market durum in the region.

Domestic mill grind is facing a stable to declining trend with some price resistance surfacing for pasta at the retail and wholesale level. Historically consumption remains strong, but may be down from the past couple of years.

Projected ending stock of U.S. durum will likely remain at or slightly above the 20 million bushel level by June 2013, based on current acreage and demand expectations. This is up from this past year and well above the 8 million bushel level reached in June 2008, when farm prices exceeded \$20 per bushel for a short period. It does not leave much room for any production or harvest quality problems with the 2012 harvest however, and pending any big increase in Canadian acres, the world supply and demand fundamentals look poised to be more price positive for U.S. producers, compared to this past year.

NORTH DAKOTA CROP MIX SHOWS STRONG OVERALL MARKETS

NORTH DAKOTA PLANTED ACRES



The mix of North Dakota crops in 2012 shows an increase in all the major crops, with corn, canola and barley enjoying the greatest percentage gains over 2011 in the initial March survey. Oilseeds may finish stronger in the final estimate in June, and spring wheat also has a chance to gain back more acres. Strong market returns on multiple crops limited the acreage recovery for wheat this year, and shows the growing diversity in planting options for North Dakota producers. Outside of last year, wheat acres could be the lowest since 1984. Still wheat acres are up about 1 million acres from last year due to a record level of 750,000 acres of winter wheat and a significant rebound in durum. The share of total crop acres held by wheat remains near 40 percent, which is up 2 percent from last year's challenging spring. However, a long-term challenge for producers and customers is to keep wheat competitive in agronomics and ensure there is a sufficient market reward for producing a crop that faces a greater pricing scale for quality.

U.S. HRS EXPORTS LOWER ON THE YEAR, BUT REMAIN STRONG IN ASIA

As the 2011 marketing year draws to a close (end of May 2012), U.S. HRS wheat exports stand at 238 million bushels, on pace to reach USDA's projection of 240 million by the end of May. Compared to last year, sales are down about 30 percent, but sales have improved the second half of the year. Overall U.S. wheat exports are down about 24 percent compared to a year ago paced by stronger sales of soft red and soft white wheat which are more competitively priced with world values. Hard red spring, soft red winter and soft white are all on pace to reach USDA's annual projection, but HRW and durum may fall short.

The strongest regional demand for U.S. HRS wheat remains in Asia where 174 million bushels, or 73 percent of the sales have been made. This is near last year's 184 million in sales recorded by mid-April. The top five buyers in Asia include Japan, the Philippines, Taiwan, China and Indonesia.

EU exports are down about 50 percent compared to last year with Italy, Spain, the U.K, Portugal and Belgium the largest buyers. In these markets, softer economic conditions and a weaker Euro have made higher protein HRS even more expensive, and the Canadian Wheat Board has also been aggressive in pricing into markets like Italy.

In Latin America, HRS exports are at 44 million bushels, compared to 81 million a year ago. Competition from Canada and more competitive prices on mid to higher protein U.S. HRW have cut into HRS market share. Largest buyers in the region this year include Mexico, Venezuela and the Dominican Republic.

World inventories of protein wheat remain tight. This bodes well for 2012 exports, but so far new crop sales of HRS are running about 30 percent behind the five-year average.

by Jim Peterson, Marketing Director





PRIOR TO RETIRE FROM U.S. WHEAT ASSOCIATES; SAMSON TO RETURN AS REPLACEMENT

After 22 years managing wheat export market development in the Middle East, East and North Africa for U.S. Wheat Associates (USW), Regional Vice President Dick Prior has announced that he will retire later this year. Prior will be replaced by Mark Samson, who is returning to USW after serving in Singapore as Regional Vice President, South Asia, from 1997 to 2009.

"Dick Prior and his team in our Cairo, Egypt, and Casablanca, Morocco, offices are doing excellent work in a large but competitive wheat export region," said USW Vice President of Overseas Operations Vince Peterson. "Our standards for Dick's replacement were very high and in Mark Samson we have definitely found the person who meets them. We are pleased that he agreed to come back to work for our organization and the wheat farmers we represent." Peterson said Samson will begin his transition back to USW immediately and begin work in the Cairo office around May 1, 2012. Samson has extensive experience in export promotion and international business and was most recently consulting to Pacific Northwest state wheat commissions on market assessments and other export-oriented market development projects.

"We have worked hard to demonstrate that there is a profitable market in this region for better quality wheat foods using U.S. wheat," said Prior, who was raised on a farm in central Washington and has worked in the Middle East for 31 years. The key to continued success, he believes, will be innovation and patience. "While price is still the primary factor in buying decisions, a supply of reliable and consistent quality is starting to carry more weight in many regional markets to meet a growing trend toward automated baking lines that need consistent quality," Prior said. "That will help increase U.S. wheat demand in the region."

BAKE AND TAKE A SUCCESS



The North Dakota Wheat Commission once again sponsored Bake and Take Day to encourage individuals and groups to surprise a special person with a freshly baked food. Traditionally held the fourth Saturday of March, this year's event was held on March 24, with 4,000 recipes mailed out to 4-H clubs, church groups, school groups and individuals throughout North Dakota. This year's featured recipes were Cheese Sticks and 100% Whole Wheat Sugar Cookies, which can be found at www.ndwheat.com. Recipes were developed by the Wheat Foods Council and participants were encouraged to use the recipes or one of their favorites. Wheat groups in South Dakota and Montana also participated in the event. For nearly 40 years check-off organizations in wheat producing states have been promoting baking-with-wheat projects. Pictured is Casondra Rutschke, 2012 Miss State Capitol's Outstanding Teen, delivering sugar cookies to Katherine Nagel. Casondra participated in Bake and Take day by delivering the sugar cookies to assisted living residents in Linton. Casondra is also a member of the Coyote Country 4-H club in Linton.

Monopoly con't from pg. 1

and prices will be affected. An important point to remember is that total volume of North American wheat will not change, there will still be roughly 1.5 billion bushels of North American spring wheat and durum available to domestic and export markets. The changes will be specifically in trade flows. A popular thought is that there will be increased Canadian wheat flows into U.S. domestic mills and the U.S. will make gains in markets like Mexico, Central America and Europe. Due to current rail rate differences, it is also very possible that U.S. wheat will flow through Canada and out their export facilities. Right now new crop prices offered to Canadian producers are similar to U.S. prices especially near the border. Actual effects of the new situation in Canada on prices and trade flows won't be known until the process has started.

The CWB owns no grain-handling facilities, but has an agreement with Cargill that will allow them to purchase grain from producers and handle it through Cargill facilities. The CWB has announced pricing pools and various new marketing options for producers for the 2012-13 crop year. The CWB expects participation to be strong, but strong competition is expected from other grain companies operating in Canada. With the ability of Canadian producers to sell into U.S. markets and vice versa, companies in both countries are gearing up to buy and sell grain in new ways. Many in the grain trade feel the market will evolve into a "North American" wheat market versus Canadian or U.S. Some customers may be fine with a North American origin, while most are still expected to require specific U.S. or Canadian origin.

Other big unknowns are what will happen to the registered variety list that Canadian producers are required to follow? Will it continue to make CWAD and CWRS grades in its existence or will Canadian producers demand a greater choice in varieties for planting? How will funding for research and marketing activities be handled and will Canadian provinces develop check-off and promotion programs similar to U.S. producers?

A lot of questions remain to be answered, but one thing is certain, that this will have the biggest impact for U.S. HRS and durum producers, and it will change how U.S. and Canadian wheat is positioned and marketed to customers.



WHAT A DIFFERENCE A YEAR MAKES

The 2011 crop year was filled with challenges for producers with cold, wet conditions significantly delaying or preventing spring planting. The spring of 2012 has been much different with mild temperatures and drier conditions that have allowed fieldwork to start earlier than normal in most areas. Many producers were planting spring wheat and other small grains in the first couple of weeks of April this year – a month or more ahead of last year’s pace. According to the USDA/NASS North Dakota Field Office the average start date for planting was April 3, the earliest on record. As of April 15, spring wheat planting in North Dakota was 27 percent complete versus none last year and 2 percent on average. Durum planting was 16 percent complete compared to none in 2011 and one percent on average.



Dear *Dakota Gold* Recipient:

The NDWC has recently been working to update its mailing list for the *Dakota Gold* newsletter. It is our goal to provide this publication to all individuals who grow or sell wheat in North Dakota.

If you have no vested interest in wheat or for some other reason are receiving this newsletter in error, please let us know so we can avoid unnecessary costs. You can remove your name from our mailing list by telephoning the office at 701-328-5111 or sending an email to ndwheat@ndwheat.com.

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