



2015-2016 ANNUAL REPORT TO PRODUCERS



LETTER TO PRODUCERS

North Dakota wheat producers were blessed with mostly favorable production conditions in 2015. The planting season got off to an early start with widespread warm, dry conditions allowing for rapid planting progress, timely precipitation, followed by a timely harvest.

Planted acreage in 2015 increased to 8.0 million acres, up slightly from the previous year's dramatic 30 percent jump to 7.9 million. Record wheat yields were estimated by USDA at 46.7 bushels per acre, compared to the previous record of 46.3 in 2014, and the five year average of 42.8. The final result was a total North Dakota wheat crop of 370 million bushels, the largest since the 2009 crop of 376 million and the 1996 crop of 395 million. North Dakota wheat producers have in recent years produced nearly as much total wheat on 35 percent fewer acres than in 1996, when the average yield was 32 bushels per acre. Research, variety development, constantly improving management practices, adoption of new technologies, and persistence on the part of producers and their industry partners have all contributed to these remarkable accomplishments.

Quality features of the 2015 crop were also mostly favorable, resulting in high overall grades and improvement in key performance traits sought by millers and processors both at home and abroad. Two thirds of the 2015 crop had a protein content of 14.0 percent or higher. Milling yield, loaf volume, dough strength, stability, and most other end-use performance traits showed improvement over last year.

The demand side of the equation continued a multi-year trend of domestic consumption outpacing exports of U.S. spring wheat and durum. For the second consecutive marketing year U.S. HRS exports also surpassed all other U.S. wheat classes in export volume and value. This feat was accomplished with U.S. HRS

selling at a premium of more than a dollar a bushel or \$40 a ton over U.S. hard red winter (HRW) wheat, the second largest class of U.S. wheat exported in 2014 and 2015. U.S. HRS was also priced at a significant premium to competitor wheats in the marketplace. Global wheat prices, on the other hand, continued to sink lower on larger world crops and expanded production in Eastern Europe and Latin America. Considering the price crushing impacts of current global supplies of medium to lower protein wheats and production costs that have increased dramatically in recent years, these HRS "class premiums" may seem inconsequential, but are arguably better than the alternative.

The North Dakota Wheat Commission continues to address challenges and develop and promote opportunities on behalf of North Dakota wheat producers. The seven producer-member Commission supports pertinent wheat research projects that have improved yields and performance for the producer and the customer; takes active roles in export market development, trade and domestic policy arenas; defends and enhances the image of wheat and wheat based foods; and provides outreach and educational opportunities for wheat producers in the state and region. None of these efforts would be as effective without valuable, on-going partnerships with U.S. Wheat Associates, North Dakota State University, Northern Crops Institute, Wheat Foods Council, North Dakota Grain Growers Association, U.S. Durum Growers Association and others on behalf of the dedicated wheat producers in North Dakota and the surrounding region.

Sincerely,

David Clough
Chair

Neal Fisher
Administrator

EXPORT DEVELOPMENT EFFORTS

The North Dakota Wheat Commission invests more than one-third of annual check-off funds in International Marketing efforts, primarily through U.S. Wheat Associates (USW), where producer investments are matched roughly \$2 to \$1 by USDA Foreign Ag Service funds. USW has 17 offices located in key regions worldwide, working directly with customers and optimizing export opportunities for U.S. producers.

The Commission hosts numerous customers in the state each year to visit directly with producers, learn key information on our premium quality wheat, and see our world class grain handling and marketing infrastructure. In 2015-16, the Commission hosted teams from Japan, West Africa, Algeria, the Philippines, and a Caribbean team representing Haiti, Guyana, Trinidad and St. Vincent.

Hard red spring wheat was the largest U.S. export class in 2015-16, reaching 252 million bushels, down about 10 percent from 2014, but still the 4th best in the last ten years. Asia remained the largest destination, thanks to steady sales to the Philippines, our top market, and increased sales to China. Overall sales to the region fell, primarily in Japan and Indonesia, due to a strong U.S. dollar and aggressive Canadian competition. Sales to the Latin American region also declined slightly, but sales to the EU were the strongest in five years, led by Italy.

U.S. durum exports reached 29 million bushels. The EU, primarily Italy, was the largest destination, accounting for 60 percent of exports. Demand from North Africa was lower on the year, due to a strong Algerian crop, but still accounted for 25 percent of our exports. Sales to the Central and South American region accounted for the balance, but Venezuela proved challenging due to extreme political and economic uncertainties in the country.

PROMOTION AT HOME

The North Dakota Wheat Commission works on domestic promotion through the Wheat Foods Council (WFC) and the National Pasta Association (NPA), which are supported by producer and industry members to serve as the marketing arms for the wheat and pasta industries.

The WFC educates influencers and consumers on the health benefits of wheat foods and combats misinformation on gluten-free trends, fad diets, and wheat production and processing. Now more than ever, influencers and consumers need science based nutrition information to make informed decisions.

In early 2016, the Council adopted a new strategic plan after extensive dialog with the wheat industry

along with insight obtained through a WFC funded survey of medical doctors, registered dietitians and personal trainers. The strategic plan focuses on four areas: continue working with registered dietitians as an influencer group; add a new influencer group of personal trainers due to their strong relationship with consumers as a source for health and nutrition information; improve the image of enriched wheat products by educating influencers and consumers about the significant health contributions; improve the image of "modern wheat" and wheat breeding by proactively addressing the misinformation surrounding this topic using science and facts. The WFC will use the strategic plan for programs going forward.

NPA connects the Commission directly to many of the large pasta manufacturers, which work collectively to expand domestic pasta consumption. The Commission also promotes National Pasta Month in October with local newspapers and radio stations.

DOMESTIC POLICY PARTNERS

The North Dakota Wheat Commission directed \$642,452 to the North Dakota Grain Growers



Association and U.S. Durum Growers Association to aid their work in addressing domestic policy issues in 2015-16. Efforts include farm bill, crop insurance and disaster aid, conservation and regulatory overreach issues, all of which are important to North Dakota producers.



The North Dakota Grain Growers Association works to educate officials on farm policy issues impacting North Dakota small grain producers. The U.S. Durum Growers Association works to ensure that the unique needs of durum growers and the durum industry are represented by local, state and federal decision makers.

TRADE POLICY

The NDWC along with U.S. Wheat Associates (USW) and the National Association of Wheat Growers (NAWG) is involved in trade policy matters to improve market access and trade opportunities for ND wheat producers

A handful of priority measures follow:

- Ensure USDA Market Access Program and Foreign Market Development programs are fully funded in the farm bill. Currently wheat producer check-off funds are directly matched nearly \$2 to \$1, providing a significant boost to market development resources.

- Achieve comprehensive and forward looking trade agreements with Asia-Pacific countries (Trans-Pacific Partnership) and the European Union (Trans-Atlantic Trade) and investment that eliminate import duties, provide improved rules for market access, and added disciplines on non-tariff barriers, such as phyto-sanitary measures.
- Support Trade Promotion Authority (TPA) to provide confidence to negotiating partners.
- Increase the transparency and enforcement of trade distorting support programs and export subsidies used by advanced developing countries, such as China, India, and Brazil. These subsidies have escalated in recent years, particularly in China, directly lowering world wheat export values when excess production is dumped by those Governments. A WTO case against China is being explored at this time.
- Ensure countries abide by their past trade commitments so that U.S. wheat farmers achieve the true and full benefits of trade agreements.
- Canada's open market transition continues. The removal of the CWB monopoly and the new transparency has eliminated elements of unfair competition and price undercutting U.S. producers experienced in export markets. However, lingering Canadian policies continue to disadvantage U.S. wheat producer opportunities to deliver wheat into Canada on an equal basis. The NDWC and USW are working toward resolution of these concerns.
- Focused trade policy efforts are a necessary complement to decades of market development efforts conducted by U.S. producers. With 95 percent of the world's consumers living outside U.S. borders, a fair and competitive playing field for U.S. wheat is essential to long-term export opportunities and producer bottom lines.

RESEARCH AND CUSTOMER SERVICE

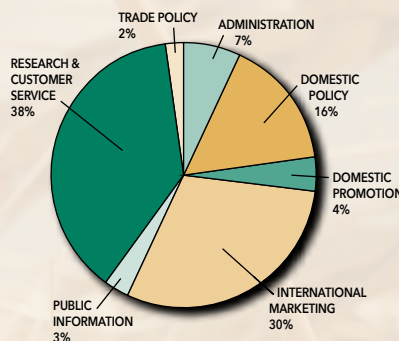
North Dakota producer check-off investment in research and customer service totaled \$1.67 million in 2015, nearly 40% of the total NDWC budget, and up from \$1.55 million in 2014. The primary focus of this producer investment is NDSU's hard red spring, durum and hard red winter breeding programs. Producer funds represent about 15% of the total effort, and help leverage additional state and federal support. The producer investment is primarily focused on operating expenses, technician support and in limited cases, equipment needs. A robust NDSU varietal development program provides direct benefit back to all producers and citizens in the state. NDSU varieties account for the majority of wheat planted in North Dakota and also have application in the surrounding spring wheat and durum regions.

Ensuring North Dakota wheat remains at the top of the world wheat quality spectrum also drives the producer investment in wheat quality enhancement. NDSU wheat quality labs evaluate end-use performance early in the variety development process, and the quality of the current crop. Producer check-off funds have helped update equipment, retain excellent scientists and technicians to oversee these important programs, delving into world class wheat quality research and building confidence in a growing domestic and export customer base.

While variety development and quality evaluation receive the significant share of research investment, enhanced research on exploring exotic germplasm sources for disease and pest resistance, and drought tolerance are also a priority. Supporting extension work to help producers better manage disease and pest concerns, as well as soil salinity and fertility effectiveness are additional efforts supported by wheat check-off funds. Marketing and transportation related research is focused on monitoring rail rates and service and improving risk management skills of both producers and customers.

CHECKOFF INVESTMENT AT WORK

FY 2015-16 Operating Expenditures \$4,363,351



Operating Expenditures

Administration	\$293,737
Domestic Policy	\$683,696
Domestic Promotion	\$188,353
International Marketing	\$1,302,639
Public Information	\$151,489
Research & Customer Service	\$1,674,698
Trade Policy	\$68,739
TOTAL	\$4,363,351

Financials for July 1 to June 30

	Actual FY 2015-16	Budget FY 2016-17
Beginning Balance	\$5,515,774	\$6,235,310
Checkoff Collected	\$5,424,212	\$4,717,000
Interest Income	\$5,358	\$4,750
Sales/Miscellaneous	\$480	\$500
Total Receipts	\$10,945,824	\$10,957,560
Refunds to Producers	\$347,163	\$330,200
Expenditures	\$4,363,351	\$4,855,738
Ending Balance	\$6,235,310	\$5,771,622

Board of Commissioners & County Representatives



Jim Bahm
District 1, New Salem, ND
(2012-2016)

Adams Steve Wegner
Billings Loren Bock
Bowman Neal Freitag
Dunn William Flaget
Golden Valley Andrew Smith
Grant Wes Frederick
Hettinger David Anderson
Mercer Gary Knell
Morton Jim Bahm
Oliver Patrick Doll
Sioux Jamie Heid
Slope Jim Powell
Stark Bob Kuylen



Dustin Johnsrud
District 2, Epping, ND
(2013-2017)

Burke Mitch McEvers
Divide Bruce Verlinde
McKenzie Howdy Lawlar
Mountrail Aaron Skarsgard
Renville Del Gates
Ward Aaron Haaland
Williams Dustin Johnsrud



David Clough, Chairman
District 3, Fessenden, ND
(2014-2018)

Burleigh Blaine Doppler
Eddy Kent Myhre
Emmons Tom Bernhardt
Foster Charles Linderman
Kidder Tim DeKrey
Logan Cory Schlecht
McIntosh Ross Litsey
McLean Brian Fransen
Sheridan James Pellman
Stutsman David Gasal
Wells David Clough



Francis Leiphon
District 4, Crary, ND
(2012-2016)

Benson Phil Volk
Bottineau Lenny Artz
McHenry Dave Thom
Pierce Ken Schaan
Ramsey Francis Leiphon
Rolette Matt Graber
Towner Jeff Teubner



Greg Svenningsen
District 5, Valley City, ND
(2013-2017)

Barnes Greg Svenningsen
Cass Todd Ellison
Dickey Mike Martin
Griggs David Heinz
LaMoure John Haro
Ransom Doug Rotenberger
Richland Neal Goerger
Sargent Roger Zetocha
Steele Scott Huso
Traill Miles Evenson



Brian O'Toole
District 6, Crystal, ND
(2014-2018)

Cavalier Leon Hiltner
Grand Forks Gerald Uglem
Nelson John Steffan
Pembina Brian O'Toole
Walsh Aaron Kjelland



Bruce Freitag, Vice-chairman
Commissioner-at-Large
Scranton, ND
(2011-2015)

Neal Fisher, Administrator
Jim Peterson, Marketing Director
Erica Olson, Marketing Specialist
Keri Ell, Accounting Specialist
Jolene Beehler, Administrative Assistant



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