

# Annual Report to Producers 2014-2015

## LETTER to PRODUCERS



The 2014 North Dakota wheat crop got off to a late start due to cold, wet conditions, yet the resulting planted acreage, just shy of 8.0 million acres, was up nearly 30 percent from the previous year when wheat and all crops in the state were dramatically affected by adverse (prevented planting) conditions. Despite the late start, a cool 2014 growing season allowed for record average yields, estimated by USDA at 46.3 bushels per acre, compared to the previous record of 45.4 in 2013, and the five year average of 41.9.

Unfortunately, in spite of the larger planted area, improved yields, and relatively good quality otherwise, the 2014 growing season was plagued by disease pressure in some areas, leading to discounts for vomitoxin and lower than normal falling number values (sprout damage) when the later than normal 2014 crop fell victim to late season rainy spells. As discounts mounted, competitor wheat exporting countries piled on with larger crops and fire-sale prices, further eroding the already weaker pricing opportunities facing producers. As a result, local prices declined from \$11.00 per bushel to \$6.50 per bushel for durum, and from \$6.50 to \$5.50 for spring wheat over the course of the production season. Discounts took actual returns still lower in some instances.

The challenges of 2014 were many, but some positive features were also notable, including the largest planted area in five years, with back to back record North Dakota all wheat yields in 2013 and 2014. Hard red spring (HRS) wheat was also the highest volume class of U.S. wheat exported by the end of the June-May 2014-15 marketing year. This feat was accomplished when U.S. HRS was selling at a premium of \$1.00 per bushel or \$40 per ton over U.S. hard red winter wheat (HRW), the next largest class of U.S. wheat exported. U.S. HRS was also priced well above competitor wheats in the marketplace at the same time. Higher prices for premium value reflects continued demand for end-use performance traits associated with U.S. hard red spring wheat and durum, even when produced under less than ideal conditions.

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 improve yield and performance, 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 wheat producers in North Dakota and the surrounding region.

Sincerely,

Francis Leiphon  
Chair

Neal Fisher  
Administrator

## EXPORT DEVELOPMENT EFFORTS

Building and sustaining overseas market demand continues to be a top priority for the North Dakota Wheat Commission. Educating customers on the premium value and quality of U.S. hard red spring wheat and durum and addressing customer concerns to maintain their loyalty is carried out daily by U.S. Wheat Associates' staff around the world. The Commission has the opportunity to meet customers through trade team visits to the production area, providing them with key information on quality, research, and transportation, as well as allowing them to see wheat production firsthand. In 2014-15, the Commission hosted teams from the EU, Japan, Algeria, the Philippines, Caribbean and an Overseas Staff team.

Hard red spring wheat exports in 2014-15 were the strongest in several years at 280 million bushels. Asia remained the largest export destination, with nearly 60 percent of total sales. Japan was the leading customer with nearly 47 million bushels followed by the Philippines with 45 million. Exports remained stable to other top Asian markets including Taiwan, Korea, China and Indonesia. Sales were significantly higher to Mexico at 22 million bushels, more than double their five-year average.

Demand from Italy accounted for more than half of U.S. durum total exports at 13 million bushels. Demand was up in the African region with Algeria, the largest customer at 5 million bushels. As a whole the African region accounted for nearly 30 percent of the total durum export demand. Exports to the Central and South American region totaled 3 million bushels with Venezuela accounting for a significant portion of that total.

## 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.

Although the popularity of gluten-free diets for people who don't medically need them appears to be waning, domestic promotion efforts through WFC are still exceptionally important as misinformation on the health benefits of wheat foods is still being distributed at a high rate. The Council distributes scientific and nutritional information to health and nutritional professionals, dietitians, educators, chefs and consumers.

The WFC hosted a Wheat Safari in North Dakota in late summer of 2014 to show participants the whole field to fork process, which included visits to a farm, flour mill, pasta plant and research facilities. Participants included dietitians, food bloggers, extension staff and media. The

Council continued to contract with media dietitians to communicate pro-wheat messages to consumers in large media markets via radio, print and TV messaging. The Council also has an advisory committee that presents to national and regional dietetics conferences, providing much needed education.

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 \$594,040 to the North Dakota Grain Growers Association and U.S. Durum Growers Association to aid their work in addressing domestic policy issues in 2014-15. 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 \$3 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 Partnership) 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 and directly lower world wheat export values when excess production is dumped by those Governments.
- 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 totaled \$1.4 million in 2014, roughly 30 percent of the total budget.

The hard red spring, durum and hard red winter breeding programs receive an important share of their annual operational funding from the NDWC with primary goals of yield and quality enhancement. Investment is also focused on development of specialty wheat varieties, such as sawfly resistant varieties and hard white wheat.

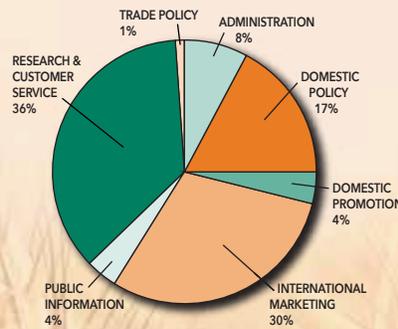
Ensuring North Dakota wheat remains at the top of the world wheat spectrum for quality and premium prices is the reason a significant share of the NDWC research funding is devoted to end-use performance. Experimental wheat lines are evaluated for quality early in the variety development process, a feature many breeding programs do not have. Updated lab equipment, excellent scientists and technicians to oversee the programs has provided cutting edge research on functional wheat quality, building confidence in domestic and export customers.

Producers have also expressed a need for better disease resistance and research on disease management. Emerging global threats like the Ug99 stem rust virus require proactive attention to ensure resistance is established in future varieties.

Marketing and transportation related research is also a priority. Producer funds have helped expand the educational outreach for the world class commodity trading room at NDSU, and provided resources to analyze potential new technology partnerships, and monitor rail transportation issues.

## CHECKOFF INVESTMENT AT WORK

### FY 2014-15 Operating Expenditures \$4,274,064



#### Operating Expenditures

Administration	\$ 326,502
Domestic Policy	\$ 727,068
Domestic Promotion	\$ 191,567
International Marketing	\$1,267,015
Public Information	\$ 152,089
Research & Customer Service	\$1,547,927
Trade Policy	\$ 61,896
<b>Total</b>	<b>\$4,274,064</b>

### Financials for July 1 to June 30

	Actual FY 2014-15	Budget FY 2015-16
Beginning Balance	\$5,021,566	\$5,515,774
Checkoff Collected	\$5,079,276	\$4,917,000
Interest Income	\$4,377	\$4,500
Sales/Miscellaneous	\$348	\$300
<b>Total Receipts</b>	<b>\$10,105,567</b>	<b>\$10,437,574</b>
Refunds to Producers	\$315,729	\$307,300
Expenditures	\$4,274,064	\$4,767,175
<b>Ending Balance</b>	<b>\$5,515,774</b>	<b>\$5,363,099</b>

## 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, Vice-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, Chairman**  
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**  
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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