

## Board of Commissioners & County Representatives



**Back Row:**  
*Dustin Johnsrud, District 2;*  
*Aaron Kjelland, District 6;*  
*Philip Volk, District 4.*  
**Front row:**  
*Jim Bahm, District 1;*  
*Greg Svenningsen, District 5;*  
*Bruce Freitag,*  
*Commissioner-at-Large; and*  
*Jim Pellman, District 3.*

**Jim Bahm** District 1, New Salem, ND

### District 1 2016-2020

Adams.....Bruce Hagen  
Billings.....Loren Bock  
Bowman.....Myles Richard  
Dunn.....William Flaget  
Golden Valley.....Rick Stoveland  
Grant.....Wes Frederick  
Hettinger.....Keith Witte  
Mercer.....Gary Knell  
**Morton.....Jim Bahm**  
Oliver.....Patrick Doll  
Sioux.....Jamie Heid  
Slope.....Farrell Lorge  
Stark.....Les Gullickson

**Dustin Johnsrud** District 2, Epping, ND

### District 2 2017-2021

Burke.....Mitch McEvers  
Divide.....Bruce Verlinde  
McKenzie.....Ty Rolfsrud  
Mountrail.....Aaron Skarsgard  
Renville.....Del Gates  
Ward.....Aaron Haaland  
**Williams.....Dustin Johnsrud**

**Jim Pellman** District 3, McClusky, ND

### District 3 2018-2022

Burleigh.....Blaine Doppler  
Eddy.....Brady Richter  
Emmons.....Tom Bernhardt  
Foster.....Charles Linderman  
Kidder.....Tim DeKrey  
Logan.....Bill Becker  
McIntosh.....Ross Litsey  
McLean.....Brian Fransen  
**Sheridan.....James Pellman**  
Stutsman.....David Gasal  
Wells.....Chris Sellie

**Philip Volk** District 4, York, ND

### District 4 2016-2020

**Benson.....Philip Volk**  
Bottineau.....Lenny Artz  
McHenry.....David Thom  
Pierce.....Kenneth Schaan  
Ramsey.....Matthew Olson  
Rolette.....Mark Martinson  
Towner.....Jeff Teubner

**Greg Svenningsen Vice Chairman**  
District 5, Valley City, ND

### District 5 2017-2021

Barnes.....Greg Svenningsen  
Cass.....Todd Ellison  
Dickey.....Mike Martin  
Griggs.....Scott Tranby  
LaMoure.....John Haro  
Ransom.....Travis Dagman  
Richland.....vacant  
Sargent.....Roger Zetocha  
Steele.....Scott Huso  
Traill.....Steve Doeden

**Aaron Kjelland** District 6, Crystal, ND

### District 6 2018-2022

Cavalier.....Leon Hiltner  
Grand Forks.....Brian Jodock  
Nelson.....John Steffan  
Pembina.....Kelly O'Toole  
Walsh.....Aaron Kjelland

**Bruce Freitag Chairman**  
Commissioner-at-Large • Scranton, ND 2015-2019



## STAFF

**Neal Fisher**  
Administrator

**Jim Peterson**  
Policy & Marketing Director

**Erica Olson**  
Marketing Development  
& Research Manager

**Keri Ell**  
Accounting Specialist

**Jolene Beehler**  
Administrative Assistant

# Annual Report TO PRODUCERS 2018-2019



## 2018 North Dakota Wheat Crop Recovers from Drought, Features Record Yield and Great Quality

The North Dakota wheat industry was blessed with a much better crop in 2018, just a year after drought dramatically cut yields and total output in 2017. The 2018 season began with cold soils and marginal moisture supplies, delaying planting progress and crop emergence. Conditions eventually shifted to the upside, including good seedling emergence and strong stand development, leading to record yields, very good quality features, and one of the larger wheat and durum crops in a decade.

Other notables in 2018 include a 12 percent increase in statewide all wheat planted area, a 10 bushel per acre gain in average yield, at 47.6 bushels per acre, compared to a drought induced 37.7 bushel average in 2017. Test weights, vitreous kernel counts, and protein levels were all equal to or higher than those recorded for the previous year with some additional positive product performance features also noted. Customer demand in domestic and export markets remained strong for these premium wheats. North Dakota retained its "Wheat State" title for the third season in the past five, and U.S. Hard Red Spring Wheat (HRS) was again the largest class of U.S. wheat exported (third time in five years). That was the good news.

Producers remained frustrated throughout the season when prices did not respond to global supply and demand factors which projected 2018-19 world wheat consumption well above world production prospects, providing potential for global stocks drawdown and stronger prices. While those market factors came pretty close, prices did not follow due to relentless heavy sales from alternate global suppliers. Competitiveness with Black Sea origins and others including Canada became a problem, which was further complicated by disruptions in global trade relationships, holding prices at or below breakeven levels for most of the year,

for wheat and every commodity traded. Domestic and export demand for U.S. HRS and durum remained strong in 2018-19, but larger crops and increased supplies added significantly to ending stocks, resulting in more bearish than bullish supply and demand features this marketing year.

Some progress in the trade policy arena continues to be reported in industry press accounts. There is optimism the USMCA (U.S.-Mexico-Canada) Trade Agreement will move forward in Congress in 2019. Progress in the Japan Agreement has also been welcome news due to an agreement in principle forged by the U.S. and Japanese Administrations. The (tentative) agreement as intended, equalizes the difference in Japanese tariffs or advantage that Canada and Australia immediately gained over U.S. wheat producers through their inclusion in the TPP Agreement to which Japan is also a participating member. The United States withdrew from the then still developing pact in 2017. Without this new bilateral agreement between the U.S. and Japan, the Japanese wheat markup or tariff disadvantage would have widened to nearly \$2.00 per bushel (in favor of our chief competitors, Canada and Australia) in our second largest export market for U.S. HRS. This agreement, once in place will level that issue.

On a more local front the 2019 North Dakota Legislature took significant steps to make the proposed Agricultural Product Development Center (APDC) at North Dakota State University a reality. A total of \$40 million in state funding was approved, pushing the effort much closer toward the \$60 million originally required to complete

the APDC project. Replacement facilities for Harris Hall which currently houses the wheat and barley quality analysis units and provisions for the NDSU Meats Lab are included in the project. The Northern Crops Institute (NCI) was also given authority to begin fundraising for its portion of this transformational project. Much-needed upgrades will modernize the important functions of our region's longstanding wheat and barley quality analysis and promotion capabilities, and extend those market expanding processes to the more diversified crop and livestock enterprise base that characterizes North Dakota's current and future agricultural industry horizons. This is an exciting development that is evolving before us.

The North Dakota Wheat Commission continues to invest producer check-off dollars to address challenges, develop and maintain markets, 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 producers and customers; 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.

To the dedicated producers, stakeholders, and partner organizations, U.S. Wheat Associates, National Association of Wheat Growers, ND Grain Growers Association, U.S. Durum Growers Association, NDSU, Northern Crops Institute, Wheat Marketing Center and others, thanks for your support.

*Bruce Freitag*

Bruce Freitag, Chair

*Neal Fisher*

Neal Fisher, Administrator



## 2018-19 Hard Red Spring EXPORTS Higher

Record hard red spring wheat (HRS) exports to the Philippines, strength in other Asian markets, and growing demand in Central America helped lead to stronger HRS exports for the 2018-19 marketing year. Gains in these markets helped make up for losses in China and Japan. Total HRS exports were 259 million bushels, up 14% from the previous year.

HRS exports to the Philippines reached 64 million bushels, driven by a growing, relatively young population, increasing demand for quality products, and a strong preference for U.S. wheat. The Philippines has been the top HRS customer for the last six years. Japan remained the second highest market with 32 million bushels in purchases, down slightly from 2017, due to a declining and aging population, and in part to the fact that Canada and Australia enjoyed a temporary price advantage over the U.S. due to their inclusion in the CPTPP trade agreement.

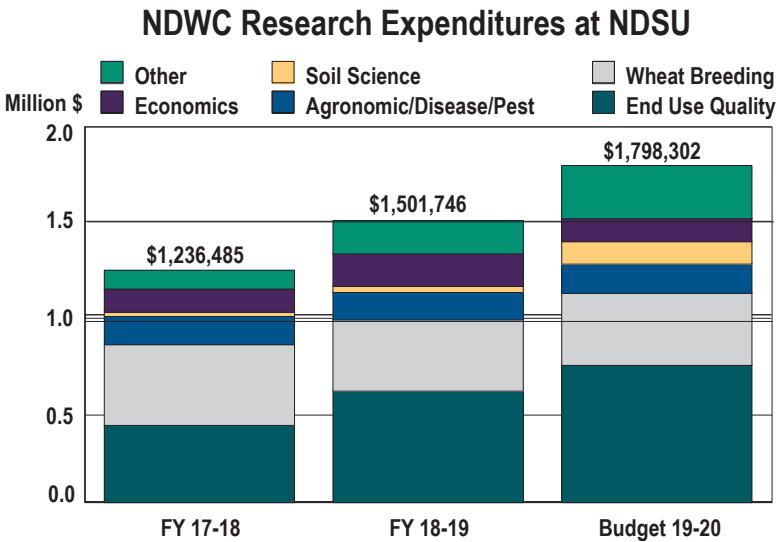
Taiwan and Korea remained consistent, top five buyers of U.S. HRS with sales up marginally in 2018-19. Rounding out the top ten HRS markets were Bangladesh, Thailand, Italy,

Indonesia, Guatemala and Mexico, with record HRS exports recorded for Thailand and Guatemala. A noticeable change in the top markets was the drastic decline in HRS exports to China due to the ongoing trade dispute, falling to just over one million bushels, a nearly 20 million bushel loss compared to the previous year.

U.S. durum exports rebounded in the 2018 marketing year to reach 22 million bushels, up slightly more than 20% from the previous year. The top market remained Italy with 9 million bushels in sales, up from just 6 million the previous year, as in-country trade servicing by U.S. Wheat Associates and added efforts by U.S. exporters helped to overcome trade constraints. Algeria and Nigeria were two of the other markets with sizable purchases, 4.5 and 3.5 million, respectively. Algeria was down from recent years due to a larger domestic crop, but Nigeria recorded the largest imports since 2010 and triple the sales from 2017. The other top ten markets for U.S. durum included Belgium, Guatemala, Japan, Spain, Panama, Peru and Portugal.

## RESEARCH and Customer Service

Research and customer service investment was increased in the 2018 fiscal year to \$1.5 million, up 20% from 2017. End-use quality research and wheat breeding programs remained the largest share of the investment, accounting for roughly 2/3rds of the total. These are priority areas since the NDWC is committed to ensuring newly developed wheat and durum varieties have the end-use functionality traits that enable us to compete for premium priced markets, and providing the needed equipment and resources for NDSU scientists to conduct world renown research critical to both producers and customers. Disease and pest management, as well as soil and economics research also remain important areas for funding. Some growth in research and customer service funding is attributed to funds committed for the proposed Agricultural Products Development Center which received funding from the 2019 Legislative Session, and once fully funded, it will house the wheat quality research labs. Research and customer service funding is based in large part on priorities from county representatives at the annual meeting, and feedback from U.S. Associates staff, customers and industry partners. and industry partners.



## PROMOTION At Home

The NDWC works on domestic promotion through the Wheat Foods Council (WFC) and National Pasta Association (NPA). The WFC works to promote the health benefits of wheat foods and dispel misinformation on gluten, fad diets, and production agriculture. The WFC's target audience is chefs, personal trainers and registered dietitians. Through well received webinars, conferences, newsletters and chef training events, the WFC reaches thousands of influencers,

who in turn reach millions of consumers. They also have a large social media presence and worked with a prominent blogger to promote new wheat based recipes. The NPA connects the NDWC 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 and reaches thousands of school age kids through the Living Ag Classroom.

## TRADE Policy

The Wheat Commission in Collaboration with USW and NAWG is involved in trade policy matters to improve market access and create additional market opportunities for North Dakota wheat producers.

Decades of successful, targeted market development programs actively conducted by U.S. wheat producers have expanded premium markets. With 95 percent of the world's consumers living outside of the U.S., continued success maintaining and expanding sales opportunities is highly dependent on a fair and competitive global playing field. A focused trade policy agenda is a necessary component in fulfilling this potential, ensuring long-term export opportunities, market growth, and profitable producer bottom lines.

Examples of U.S. wheat industry trade policy priorities follows:

- ♦ Pursue full funding of FMD and MAP – USDA's Foreign Market Development and Market Access Programs which match producer checkoff dollars at a rate of nearly 3 to 1, quadrupling the impact of the producer dollar in time-proven, targeted market development programs actively conducted by U.S. wheat Associates on behalf of member states' (like North Dakota) wheat producers.
- ♦ Promote the approval of USMCA as soon as possible.
- ♦ Take necessary steps to finalize U.S.-Japan Trade Agreement to ensure Japanese tariff (markup) issue does not disadvantage U.S. wheat producers vis-à-vis their Canadian and Australian competitors in this longstanding premium market for U.S. wheat.
- ♦ Seek every opportunity to reach agreement(s) with China on all outstanding matters to allow for normalization and expansion of agricultural trade between the United States and China.
- ♦ Achieve forward looking, comprehensive trade agreements that eliminate import duties, provide improved rules for market access, and disciplines on non-tariff barriers such

## DOMESTIC POLICY Partners

The NDWC directed \$585,400 to the ND Grain Growers Association (NDGGA) and the U.S. Durum Growers Association (USDGA) to aid their work in addressing domestic policy issues in 2018-19. Efforts include farm bill, crop insurance and disaster aid, conservation and regulatory overreach issues, all of which are important to North Dakota producers

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

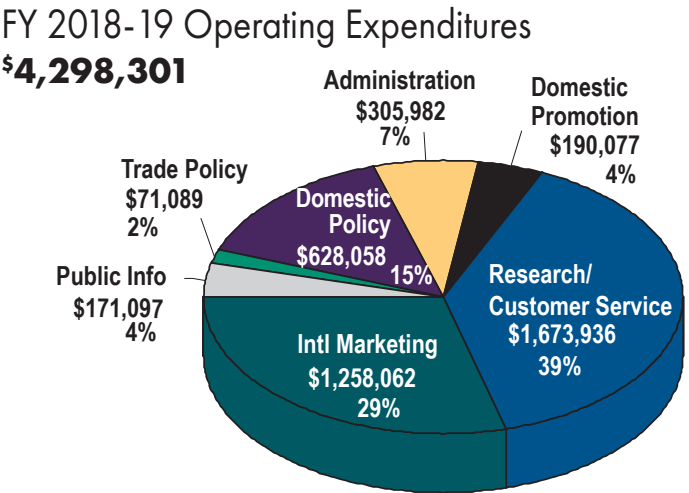


as phyto-sanitary measures, abuses of which are on the increase worldwide.

♦ The United States is not part of the Comprehensive, Progressive, Trans-Pacific Partnership (CPTPP) so named after the U.S. pulled out of TPP in 2017. This makes it extremely important for the U.S. to prioritize negotiations toward new bilateral agreements with key Asian markets in addition to Japan (where negotiations were initiated early 2019); such as Taiwan, the Philippines (our largest HRS market with explosive growth potential), Indonesia and Vietnam, where growth potential is also very strong. Existing TPP language offers high standard trade agreement features which should be pursued in upcoming bilateral negotiating opportunities whenever possible. Re-entry into an improved version of TPP at some point is worthy of consideration and should be encouraged.

♦ Continue to address issues with Canada's grading and varietal registration systems that are likely to linger on after USMCA is eventually approved. Although the "feed" grade issue garnered considerable attention, the issue of fairness and national treatment either side of the border will require considerable additional scrutiny. These issues have been around for a very long time. There is also the question of rail rate disparities in Canada which may provide undue market advantage to Canadian spring wheat and durum moving to U.S. destinations.

## YOUR CHECKOFF INVESTMENT AT WORK



	Actual FY 2018-19	Budget FY 2019-20
Beginning Balance	\$6,331,053	\$6,616,232
Checkoff Collected	\$4,870,966	\$4,395,000
Interest Income	\$17,175	\$13,000
Sales/Miscellaneous	\$14,604	\$17,000
Total Receipts	\$11,233,798	\$11,041,232
Refunds to Producers	\$319,265	\$310,000
Expenditures	\$4,298,301	\$5,140,845
Ending Balance	\$6,616,232	\$5,590,387