

Annual Report to Producers 2020-21

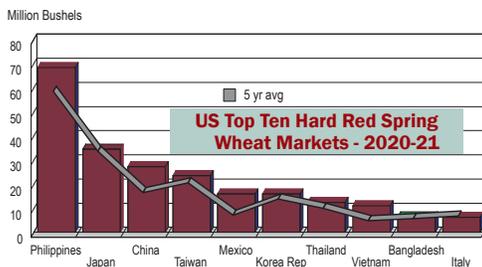


2020 North Dakota Wheat Crop of Average Size Boasts Quality, Performance and Strong Customer Appeal

North Dakota wheat producers began their 2020 season with another cold, late start and fewer acres due to the very wet fall of 2019. Most of the crop was eventually planted by late May under warmer, drier conditions, which actually began to threaten early summer crop prospects. Conditions improved again as the season progressed, limiting disease pressure and benefitting yields. Harvest progress was swift and results proved generally positive with North Dakota's average all wheat yield estimated at 47.6 bushels per acre (BPA), tying with the 2018 results and falling just short of the record yield of 48.5 BPA set in 2019.

Producers and customers alike were favored with great quality including number 1 grades for both spring wheat and durum, and strong end-use performance traits, greatly enhancing overall marketability in global and domestic markets.

Continued explosive growth pushed Philippine imports to another new record of nearly 70 million bushels of US Hard Red Spring (HRS) in the 2020-21 marketing year. Large but more mature markets, Japan and Korea, continued with strong but somewhat flatter consumption patterns. Sales to Taiwan, Vietnam, and Thai-



land continued to grow, with additional demand potential. China also returned to the US HRS market with a sizeable rebound in imports. These Asian destinations and Mexico, which also imported record volumes in 2020, are consistent, top ten markets for US HRS producers.

Demand for US durum is currently dominated by the growing domestic market, with Italy and Algeria as the largest export destinations.

Domestic customers also consumed a whopping 339 million bushels of HRS in the 2020-21 marketing year, the largest volume in nearly ten years, and up nearly 20 percent from the previous season. Total demand for US HRS surged to 623 million bushels, the strongest in nearly a decade. Very strong demand reduced supplies of high protein, high performance wheat worldwide, improving the outlook for future price strength, particularly for these premium wheats.

On a related market building note, the 2021 North Dakota Legislature approved full funding for the Agricultural Product Development Center project to move forward at North Dakota State University. The Wheat Commission and other agricultural stakeholders and partner organizations welcome this very posi-

tive development, which will house the Plant Sciences Wheat and Barley Quality Labs, the Northern Crops Institute, and the NDSU Meats Lab. The long awaited facilities upgrade will provide 'state of the art' capabilities to develop, measure, and promote the premium and unique quality features of North Dakota's increasingly diverse and resilient list of agricultural crops and enterprises.

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 wheat 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 in the state and region.

US HARD RED SPRING WHEAT SUPPLY AND DEMAND

Million Bushels | June-May

	18-19	19-20	20-21
Beg. Stocks	191	263	280
Production	587	520	531
Imports	68	53	47
Total Supply	846	836	858
Domestic Use	324	288	339
Exports	259	268	284
Total Use	583	556	623
End Stocks	263	280	235
S/U Ratio	45%	50%	38%

Source: USDA

Sincerely,

Greg Svenningsen, Chair

Neal Fisher, Administrator

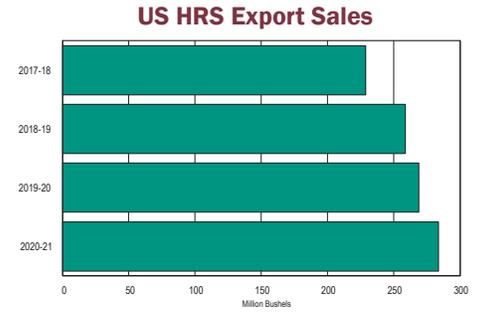
International Marketing

The 2020 marketing year was the first full year of virtual marketing with international customers. US Wheat Associates and NDWC staff organized and participated in extensive webinar meetings with key customers throughout the year, allowing them the opportunity to continue important engagement with marketing staff, wheat quality scientists and grain trade experts. Customer service, education and technical support remains a strength, and marketing advantage for US wheat.

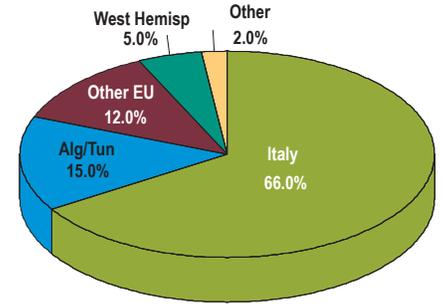
It was a good year for HRS exports, reaching a total of 284 million bushels, up 5.5% from the previous year, and the fourth straight year of gains. Growth was seen in a number of our key traditional markets, due to excellent quality, attractive prices,

and increases in in-home consumption. Declines were seen in Italy, due to EU tariffs imposed on HRS over a trade dispute on airline subsidies, since resolved but too late to impact 2020 trade.

Durum exports declined to 28 million bushels, down one-third from the very high 2019 level of 42 million bushels, which was the best in ten years. US and other sources of durum were challenged in the world market, due to a record export year for Canada. Record US food use of durum, also kept US prices above world values. Exports continue to be dominated by Italy, other EU countries and North Africa, but in 2020, some promising gains were seen in Venezuela, Mexico and Japan.



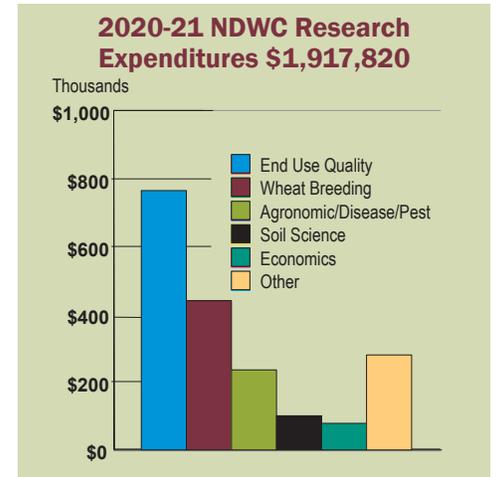
US Durum Export Sales by Region



Research and Customer Service

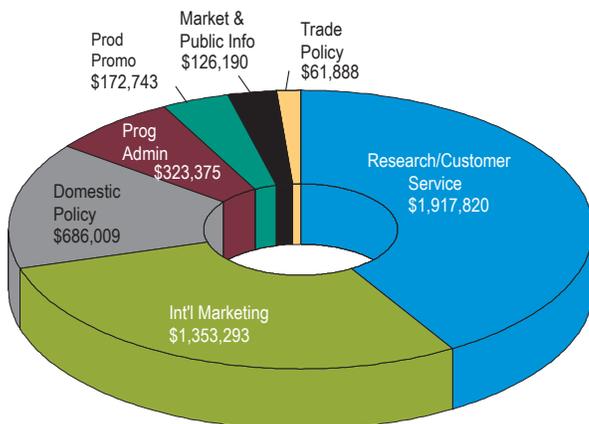
Research and customer service remain a top priority for the NDWC with total expenditures at \$1.92 million in 2020-21. End-use quality, which encompasses quality testing on breeding lines for HRS, durum and HRW, accounts for 40% of the total. This category also includes the annual crop quality survey that assesses quality attributes for the newly harvested crop and is used for marketing purposes, equipment needs and specific, short term research on timely topics of importance to customers or the industry as whole. NDWC committed funds for the Ag

Products Development Center which will include new space for the wheat quality labs accounts for another large portion of this budget category. About \$500,000 is committed to wheat breeding and associated germplasm research for all three classes of wheat. These research activities directly allow for newly developed varieties to reach producers. Disease and pest management, soil science, economic projects and customer service related activities account for the remainder of the research and customer service budget.



Your Checkoff Dollars At Work

FY 2020-21 Operating Expenditures • \$4,641,318



Financials for July 1 to June 30

	Actual FY 2020-21	Budget FY 2021-22
Beginning Balance	\$6,998,801	\$7,197,942
Checkoff Collected	\$5,148,341	\$2,620,000
Interest Income	\$18,257	\$18,000
Sales/Miscellaneous	\$5,862	\$11,000
Total Receipts	\$12,171,261	\$9,846,942
Refunds to Producers	\$332,001	\$183,400
Expenditures	\$4,641,318	\$5,188,265
Ending Balance	\$7,197,942	\$4,475,277

Trade Policy

Trade Policy Mission and Goals:

North Dakota wheat producers rely heavily on exports and have actively developed durable market relationships which account for half of their annual income opportunities.

Wheat Commission Trade Policy Goals:

- ❖ Improve market access
- ❖ Lower tariffs in importing countries
- ❖ Support negotiation of new and improved trade agreements
- ❖ Eliminate unfair trade practices
- ❖ Expand markets and pricing opportunities for North Dakota producers

Trade policy initiatives are coordinated with industry-recognized partners including: US Wheat Associates, National Association of Wheat Growers, North Dakota Grain Growers Association, US Durum Growers Association, and like-minded partner organizations, to reinforce this important feature of wheat market development programs.

Global Trade Policy Agenda Shifting to Non-Tariff Barriers

Trade Agreements have reduced, and in many cases eliminated burdensome tariffs, once the major focus of wheat trade policy initiatives. Bilateral and multilateral negotiations remain a priority, but emphasis has shifted to eliminating protectionist

trade restrictions imposed by importing countries. New era restrictions to trade often ‘masquerade’ as legitimate measures to ensure domestic food security, promote alleged sustainability goals, or guard against threats to human or animal health. ‘Non-tariff’ barriers have become some of the most complicated and damaging trade issues, often deployed with little or no basis in science.

Past US Administrations initiated preliminary negotiations with the UK, the European Union, and strategic trading partners in Africa, but pursuit of these formerly active US trade portfolios has slowed markedly. Appointments of key trade negotiators and other critical agency personnel also lag normal timelines, shrinking the number and scope of team capabilities.

Negotiations in 2019 produced an ambitious China-Phase One Agreement which was well received by agricultural stakeholders. Also, in 2019, a critically important agreement was negotiated with Japan to address a serious tariff disadvantage facing US wheat producers arising from the US withdrawal from the Trans-Pacific Partnership (TPP). Decisive actions by USTR and USDA, quickly adopted by Japan in early 2020, preserved US wheat market share in Japan, our second largest spring wheat export destination.

Current Concerns:

- ❖ Unrealistic maximum residue levels (MRLs); and impractical limits on weed seeds in cargoes
- ❖ Bans on new technologies including biotechnology
- ❖ Non-scientific based claims against common agricultural inputs, widely used herbicides and pest control agents

These costly, non-tariff restrictions often strand cargoes in foreign ports with little recourse but to renegotiate contract price or terms; difficult issues to address with little hope of meaningful results under existing trade remedy provisions.

Opportunities:

- ❖ Earlier initiated negotiations have great potential to expand US agricultural exports and should be re-started
- ❖ US wheat industry has identified growth markets in the Asia-Pacific region that deserve serious attention
- ❖ Pursue negotiations on China Phase Two Agreement; continue pressure on China; enforce trade schedules and responsibilities mutually agreed upon in Phase One. Otherwise, China will renege on key elements of the agreement which are critically important to US agriculture.

Domestic Promotion

The NDWC continues to work on domestic promotion activities primarily through national organizations such as the Wheat Foods Council (WFC) and National Pasta Association (NPA). In the spring of 2020, the WFC had to pivot most program activities from in-person to virtual events. They continued to reach their target audience of personal trainers, registered dietitians and chefs through educational webinars. The WFC beefed up their online and social media presence through a series of videos focusing on the wholesomeness of wheat foods, information on wheat production, nutrition topics and chef focused menu ideas. The video collection reached 10 million views by August 2021. The Commission works

with the NPA on pasta related topics with a website – sharethepasta.org – focused on nutritional information and recipes.

Instate, Commission staff participates in the Living Ag Classroom events to educate fourth grade students on North Dakota agriculture and the products made from each commodity. This year, each commodity group developed a video on their respective crop as in-person events were not held in 2021. The annual Pasta Month Promotion event continues to be popular with consumers. NDWC provides durum and pasta related trivia and crossword puzzles to newspapers and radio stations across the state, providing nearly 600 prize packages to give away.

Domestic Policy Partners



The NDWC directed \$648,877 to the ND Grain Growers Association

(NDGGA) and the US Durum Growers Association (USDGA) to aid their work in addressing domestic policy issues in 2020-21. 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.



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District 1 2020-2024

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Billings Loren Bock
Bowman Colby Schumacher
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Golden Valley Don Hardy
Grant Wes Frederick
Hettinger Keith Witte
Mercer Gary Knell
Morton Jim Bahm
Oliver Mikael Schmidt
Sioux Jamie Heid
Slope Miles Hansen
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District 2 2017-2021

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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

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Logan Bill Becker
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District 4 2020-2024

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Richland vacant
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Steele Scott Huso
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District 6 2018-2022

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