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Dakota GOLD

NORTH DAKOTA WHEAT COMMISSION

2022 U.S. HRS and Northern Durum Crops overcome spring challenges, produce strong yields and very good quality

The production regions for U.S. hard red spring and northern durum had significantly improved growing season conditions compared to 2021, resulting in higher regional yields and production, although areas of lingering drought impacted production in some areas. Significant planting delays, due to a cold, wet spring, elevated yield and quality concerns early. However, the moisture proved beneficial in boosting production, and potential quality impacts from a late harvest were negated by a near ideal harvest season.

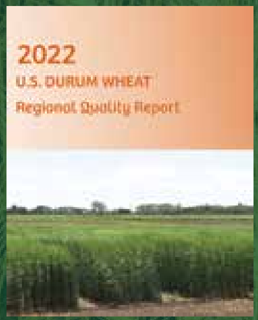
The U.S. HRS crop averages a No. 1 Northern Spring with high average test weights, little to no damage or DON issues and very sound kernels. Crop average protein is high with a good distribution across protein levels, although protein is lower than both 2021 and the 5-year average. Laboratory testing of the milled flour is revealing a crop with strong dough properties, high absorption and good bake qualities.

The Northern U.S. durum crop averages a No. 1 Hard Amber Durum, with high test weights, very high vitreous kernel levels, little to no damage, and very sound kernels. Crop average protein is lower than 2021 and the 5-year average, due to well above average yields in the major production area. Lab evaluation of the semolina and pasta indicates excellent color, with slightly less cooked firmness compared to last year.

The survey data is based on HRS and durum samples collected direct from producers, by the state offices of the National Agricultural Statistics Service (NASS), and the North Dakota Extension Service. Analysis of the samples for kernel, bread and pasta parameters was provided by the wheat quality labs at North Dakota State University. Electronic copies can be accessed at ***www.ndwheat.com.***

AVERAGE QUALITY FACTORS FOR U.S. HARD RED SPRING WHEAT

QUALITY FACTORS	2022	2021	5 YR.
KERNEL DATA			
Test Weight - lb./bu.	62.1	61.5	61.6
Protein % (12% mb)	14.2	15.4	14.6
Damage %	0.1	0.1	0.3
Falling Number (sec)	390	398	382
Vitreous Kernels %	73	81	73
Grade	1NS	1DNS	1NS
MILLING DATA			
Flour Extraction	67.0	67.4	68.6
DOUGH & BAKE DATA			
Farino Absorption (%)	63.0	62.8	62.8
Farino Stability (min)	12.5	16.2	12.3
Loaf Volume (cm)	931	918	971



AVERAGE QUALITY FACTORS FOR U.S. NORTHERN GROWN DURUM WHEAT

QUALITY FACTORS	2022	2021	5 YR.
KERNEL DATA			
Test Weight - lb./bu.	61.8	60.5	61.1
Protein % (12% mb)	13.7	15.5	14.4
Damage %	0.1	0.1	0.7
Falling Number (sec)	433	428	399
Vitreous Kernels %	92	86	83
Grade	1HAD	1 HAD	1 HAD
SEMOLINA DATA			
Semolina Extraction (%)	53.9	54.6	n/a
Gluten Index (%)	72	81	73
SPAGHETTI PROCESSING DATA			
Color Score (1-12)	8.5	8.3	8.3
Cooked Firmness (g-cm)	4.5	4.8	4.3

The North Dakota Wheat Commission (NDWC) works to improve the economic well-being 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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In-Person Trade Teams Reconnect Customers and Producers

In person trade team visits have been a part of the market development process for decades. The teams, generally organized by U.S. Wheat Associates (USW), bring customers directly to wheat production regions to see the U.S. wheat marketing system in person. Team members have the opportunity to see and learn about anything and everything – from planting, harvesting and other production processes to wheat breeding, procurement and quality analysis, to elevator visits and discussion on logistics. Perhaps most important are the personal connections made with those involved in the development, production and research of wheat, with direct conversations with wheat producers a highlight of these visits. The last trade team visit for the North Dakota Wheat Commission was the summer of 2019 before a three-year hiatus. The summer and fall of 2022 saw various teams visiting, bringing that key personal component back with in-person meetings and visits.

In mid-July, a group from Egypt, Oman, Morocco and Algeria visited the state as part of a Young Millers Team. This team was composed of future decision makers in family owned companies, preparing to take over from their parents in the very near future and eventually become the key decision makers. The goal of this team was to introduce them to the U.S. wheat marketing system and help build strong business relationships and make key contacts in the U.S. Members of this team purchase some spring wheat and durum. Algeria and Morocco are typically in the top five durum export markets and Egypt has been purchasing spring wheat for higher quality wheat products.

Dr. Elias Elias, NDSU Durum Wheat Breeder, shows members of the Young Millers Team various varieties of durum.

A South Asian Bakery team visited the state in September, representing the Philippines and Thailand – two top ten spring wheat export markets. This team was fairly unique as it was composed entirely of baking companies. Oftentimes the teams are composed of millers, traders and others in the industry. The goal of this team was to help them gain a better understanding of the U.S. wheat production and marketing systems and how various factors impact the price and quality of flour they purchase for bakery products. Growth in demand for high quality food products in this region has led to strong and growing demand for flour milled from U.S. wheat. The team met with wheat quality specialists at NDSU and NCI to learn more about how certain grain, dough, and bread quality components affect the overall quality of the flour they receive and why this changes from year to year.

The Southeast Asia Bakery team visited the Todd Ellison farm near Mapleton.

Rounding out the September trade team itinerary was a visit from our largest spring wheat customer – the Philippines. This policy team was organized by U.S. Wheat with the primary goal of meeting with policy makers to discuss flour anti-dumping duties which are set to expire in 2023, and gain insights on the policies and options available for further extension of the anti-dumping duties. The duties have been key to combating predatory pricing for Turkish flour and thus maintaining demand for U.S. wheat. While in North Dakota the group received updates on the 2022 crop in terms of size, availability and price, spring wheat breeding efforts, preliminary quality outlook on the 2022 crop and was able to enjoy a farm visit

2022 U.S. HRS Situation

The U.S. hard red spring (HRS) wheat crop is 50% larger compared to the devastating drought in 2021. This has boosted overall supplies to 646 million bushels, but up just 12%, as sharply lower beginning stocks offset part of the production gains.

USDA is projecting demand to grow by 20 percent. The projected rebound in domestic use is due to the more favorable price relationship between HRS and hard red winter. Last year, a number of U.S. mills reduced their share of HRS due to the significant price premium. That premium has all but disappeared, and in some market segments, HRW is priced above similar protein HRS.

U.S. HARD RED SPRING WHEAT SUPPLY AND DEMAND
Million Bushels | June-May

	21-22	22-23	% Chg.
Beg. Stocks	235	140	-40%
Production	297	446	+50%
Imports	43	60	+40%
Total Supply	575	646	+12%
Domestic Use	226	297	+31%
Exports	209	225	+8%
Total Use	435	522	+20%
End Stocks	140	124	-11%
S/U Ratio	32%	24%	

Source: USDA Nov 2022

On the export side, early projections are for an 8% gain, to 225 million bushels. This would still be below our five-year average, but a welcome boost from last year's challenging export year. International demand has been slow to develop in key buyers like the Philippines and Japan, but we are seeing steady sales to Taiwan, South Korea and Thailand. Strong gains are being seen in Mexico, Nigeria and Vietnam with sales up by more than 60 percent. Overall U.S. HRS exports stand at 132 million bushels at the end of October, up 6% from last year.

Good early season exports for HRS have been supportive to prices, with producer bids rebounding off of harvest lows. Further price support through the marketing year will depend on continued strong export and domestic demand.

2022 U.S. Durum Situation

The U.S. durum crop is currently estimated at 64 million bushels, up by 70% from 2021. This, along with slightly higher import projections places supplies at 132 million bushels, up 26 percent from last year. The larger supplies have pressured prices relative to a year ago, although bids have increased from the harvest period.

USDA's current projection is for a collective growth of 23% for demand to 100 million bushels. Exports are projected at 20 million bushels, up nearly 43% from last year and closer to the five-year average. Domestic use will also see gains, due in part to continued strong pasta demand, and less substitution of HRS in some products, due to the closer price relationship this marketing year.

U.S. DURUM SUPPLY AND DEMAND
Million Bushels | June-May

	21-22	22-23	% Chg.
Beg. Stocks	27	23	-15%
Production	38	64	+68%
Imports	40	45	+13%
Total Supply	105	132	+26%
Domestic Use	67	80	+19%
Exports	14	20	+43%
Total Use	81	100	+23%
End Stocks	23	33	+43%
S/U Ratio	28%	33%	

Source: USDA Nov 2022

On the export side, sales have been slow to develop in both the EU and North Africa. Both regions had shortfalls in domestic production and will need imports. Overall, U.S. sales to date are at 5 million bushels, with about 2.6 million in sales to Italy and 1.1 to Algeria. Many analysts expect a better sales pace to ensue in November and December, historically strong buying periods for Italy and North Africa.

World Wheat Dynamics Remain Tough for U.S. Exports

USDA's latest projection for US wheat exports is just 775 million bushels, reflecting the challenging start to overall export sales, and the fact that many buyers are still opting to pursue Russian wheat, even with the added risk factors. U.S. exports have been challenged by relatively high internal prices, do in part to inland freight costs and the high U.S. dollar value. U.S. exports are currently 7% below a year ago, with HRW export sales off 35%.

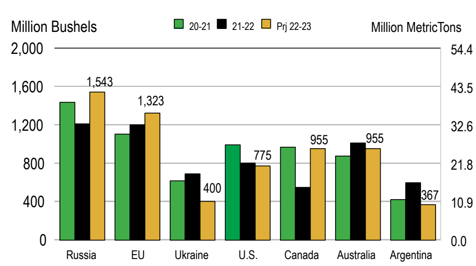
As the accompanying chart illustrates, Russia is projected to reach 1.5 billion bushels, up from just 1.2 billion last year. A historically large crop is propelling the higher level of exports, and prompted the Russian government to adjust it's wheat export tax rate mid-summer to help incentivize exports. Putin has made it a priority that Russia remains the world's largest exporter of wheat, in spite of Black Sea shipping challenges.

The EU and Canada are also projected to see sharp increases in exports, due to larger supplies, and a competitive advantage against the stronger U.S. currency. Both countries had good quality harvests, and the EU will be a prime competitor for markets in Africa and the Middle East, with Canada competing in Asia and Central/South America.

The current projection for the Ukraine is in sharp contrast to Russia, down to just 400 million bushels, or nearly 50% below the past two years. This would be the lowest level since 2013. A lot of uncertainty in the current projection, as it will depend on all parties holding to the shipping channel agreement with Russia.

Australia is projected to have another strong year of exports, although down slightly from a year ago. The current projection is in question however, due to ill-timed rains as harvest commences. Nonetheless, they will no doubt be a strong competitor in much of Asia for milling wheat, but a greater than typical portion may need to move as feed wheat.

WHEAT EXPORTS AMONGST MAJOR EXPORTERS



Source: USDA Nov 22

Argentina export projections are currently much lower than last year, and may drop further, due to severe drought conditions, as they approach their harvest season. Recently the government has taken steps to shore up domestic supplies. Further declines would be beneficial for potential U.S. exports into South America.

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In Person Trade Teams con't from pg 2

and tour of the NCI.

The final trade team for 2022 was a group of Japanese flour millers. Japan is consistently the second largest customer of U.S. spring wheat and an extremely quality conscious buyer. This was the first trip to the U.S. for most the group and they enjoyed the opportunity to learn more about the spring wheat production region and receive a glimpse of the quality of the 2022 crops. Even though the spring wheat harvest was complete by the time the group visited the state, they still had an opportunity to visit a farm and see soybean harvest first hand.

NDWC board member Scott Huso shows the Japanese Flour Milling team a sample from his 2022 spring wheat crop.

Throughout all of the trade team visits, NDWC producer board members were able to be with the group, from farm visits to dinner events. Connecting the team members directly with producers is a key component of doing business and being able to do this in-person again was priceless. Jim Pellman, NDWC Vice Chairman, met with some of the teams and found the exchange of information extremely useful. "Meeting our customers in person was a great opportunity. We learn from each other. Producers gain an understanding of the quality needs of customers and our customers gain an understanding of how wheat production works on our end," Pellman said. "It was a great opportunity to meet so many of our customers and I look forward to meeting more in the future."

Thank you to U.S. Wheat Associates for organizing the teams and for everyone at NDSU and NCI for their participation!