

## **“Drought Impacted 2021 Wheat Crop Small But Mighty”: Crop Displays Enhanced Quality Traits, Product Performance and Customer Satisfaction Characteristics**

North Dakota wheat producers began the 2021 season with dry and colder than normal soil conditions, delaying planting in parts of the state. Fewer wheat acres were planted even though the previous harvest resulted in near record yields, and higher prices based on strong demand for the excellent 2020 crop.

### **Uncertainty and Drought Prevail; 2021 Crop Suffers Sharp Reductions**

Supply chain disruptions and a deteriorating geopolitical landscape added to concerns over rising production costs and input availability as spring cropping and marketing plans were developed. The mostly dry spring evolved into a hot, dry summer. Drought persisted over North Dakota and much of the region, dashing hopes of repeating top-end yields achieved in 2018, 2019 and 2020 (47.6, 48.5, and 47.6 BPA, respectively). Instead, as crop potential evaporated, farmers and ranchers considered harvesting a larger than typical portion of their cereal crops for livestock feed to supplement shrinking hay and pasture capacities.

USDA estimated 6.0 million acres of wheat were actually harvested for grain in North Dakota, and with a much below average yield of 32.2 BPA yield, produced a total crop of 196 million bushels, down 41 percent from the average of the three preceding years (3yr Avg. of 332 million bushels); and officially the smallest North Dakota wheat crop since 1988, when 7.2 million acres and a 14.0 BPA yield produced just 103 million bushels. A similarly low yielding crop was harvested in 2011, when 6.6 million acres averaging 30.0 BPA produced a disappointing 200 million bushel North Dakota crop.

### **Analysis Reveals Silver Linings**

Dry weather quickly pushed the crop to earlier maturity with generally favorable harvest conditions. Physical crop quality, grade, and end-use performance features proved to be above average, with average test weight at 61.6, protein at 15.5, and a customer pleasing dough ‘stability’ score, rated strongest in more than a decade.

By November of 2021, Minneapolis Hard Red Spring (HRS) futures had gained a \$2.00 premium over Kansas City and Chicago, and any other

wheat on the global market. Local prices improved into 2022 with durum and HRS peaking briefly at \$15 and \$12, respectively. Both classes slipped to an \$8-9 range by late spring of 2022, with many producers taking advantage of ‘winter’ pricing opportunities.

### **Competition/Logistics in Key Markets**

Of our primary competitors, Australia and Canada, both offering their own versions of high quality wheat, Australia had better success in global sales with three consecutive years of larger crops following three earlier years of drought. Australia also has a locational advantage in next door Asian markets, versus either North American origin. Global energy shortages, rising bunker fuel prices, and higher ocean freight rates have multiplied Australia’s logistical advantage over US and Canadian origins.

### **Bottom Line Contributors, Confidence in Future**

Comparatively strong prices since late 2020, very marketable 2020 and 2021 crops, pricing opportunities for new and old crop inventory, crop insurance, and supplemental USDA program payments, have been helpful to producer bottom lines. We are thankful for bountiful crops and profitable market opportunities in fortunate times; crop insurance, other ‘safety net’ features when extreme challenges arise; and strong demand built on enduring worldwide customer relationships.

### **Daily Reminder: Food Security = National Security; Ditto: Energy Security**

NDWC invests producer checkoff dollars to develop and expand markets, address challenges and promote opportunities on behalf of North Dakota producers.

Sincerely,



*Philip Volk, Chair*



*Neal Fisher, Administrator*

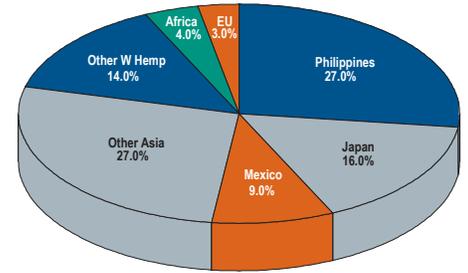
# International Marketing

The 2021 marketing year proved to be challenging for US hard red spring and durum wheat exports, as the significant drought slashed availability and drove prices sharply higher early. Demand was concentrated on the more inelastic markets, that are less sensitive to price and, those traditional customers that have come to rely on the quality of US HRS and durum for the inherent characteristics provided. Elevated world freight values further challenged the more distant markets.

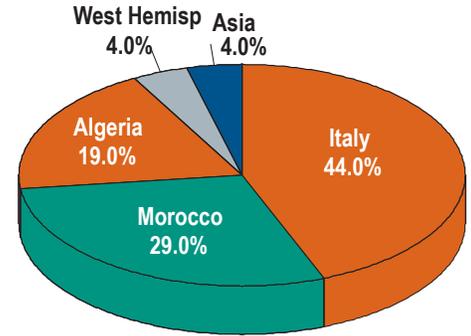
US HRS exports reached 209 million bushels, down nearly 25% from the five-year average. The Philippines and Japan remained the top two markets, but the remaining top customers shifted a bit from usual. While overall purchases were down in many major markets, the bright spot was a slight growth in sales into Mexico and the Latin American region where the higher protein, excellent quality crop found value for blending with lower quality wheat.

Durum exports ended the year at 14 million bushels, down about 50% from the five-year average, as US prices were significantly above world values, and key markets in the EU and North Africa had abundant domestic production. Italy remained the dominant market, but the US had impressive gains in Morocco, where US Wheat Associates staff have been touting the improved color of US varieties. Steady sales to Algeria and Japan have also been a positive for US durum export trade, as available markets are more limited compared to other classes of US wheat.

2021 US HRS Export Sales

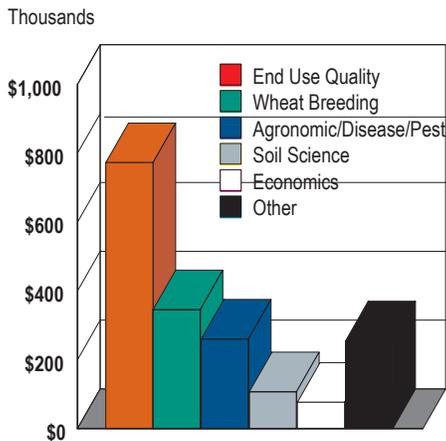


2021 US Durum Export Sales



## Research and Customer Service

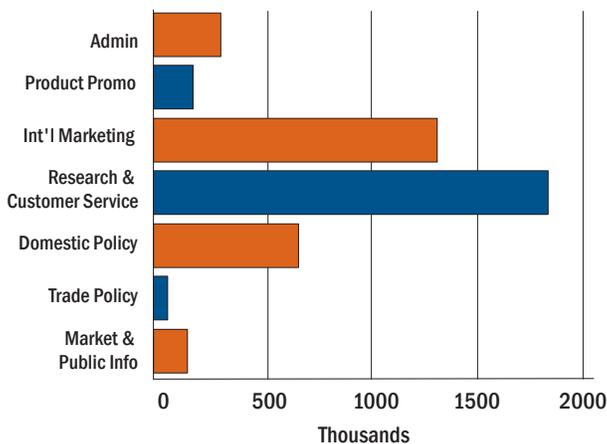
2021-22 NDWC Research Expenditures \$1,860,112



Research and customer service remain a top priority for the NDWC with total expenditures at \$1.86 million in 2021-22, slightly lower than last year. End-use quality, which encompasses quality testing on breeding lines for HRS, durum and HRW, accounts for the largest amount. 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 Peltier Complex which will include new space for the wheat quality labs and accounts for another large portion of this budget category. About \$400,000 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, and economic projects round out the other direct research budget areas. Customer service related training activities that take place at Northern Crops Institute, Wheat Marketing Center and other entities account for the remainder of the budget.

## Your Checkoff Dollars At Work

FY 2021-22 Operating Expenditures • \$4,617,808



Financials for July 1 to June 30

	Actual FY 2021-22	Budget FY 2022-23
<b>Beginning Balance</b>	<b>\$7,197,942</b>	<b>\$6,218,730</b>
Checkoff Collected	\$3,804,072	\$4,410,000
Interest Income	\$10,530	\$21,000
Sales/Miscellaneous	\$67,618	\$15,000
<b>Total Receipts</b>	<b>\$11,080,161</b>	<b>\$10,664,730</b>
Refunds to Producers	\$243,624	\$286,650
Expenditures	\$4,617,808	\$5,010,333
<b>Ending Balance</b>	<b>\$6,218,730</b>	<b>\$5,367,747</b>

# Trade Policy

## Trade Policy Mission and Goals:

North Dakota wheat producers have actively developed durable market relationships, and rely heavily on exports for half of their annual sales and income opportunities. Positive trade policy and enforcement of existing trade agreements reinforce the producer driven and directed goals and mission of Wheat Commission market development programs.

## Commission Trade Policy Goals:

- ❖ Improve market access
- ❖ Lower tariffs in importing countries
- ❖ Support negotiation of new and improved trade agreements
- ❖ Eliminate unfair trade practices and other non-tariff barriers to trade
- ❖ Expand markets and pricing opportunities for North Dakota producers
- ❖ Enhanced funding for USDA-FAS Market Development programs (FMD & MAP) to expand US wheat producer market share in global markets.

Trade policy and initiatives are coordinated with industry-recognized partners including: US Wheat Associates, National Association of Wheat Growers, ND Grain Growers Association, US Durum Growers, and other like-minded partner organizations and stakeholders.

## Current Concerns: Non-tariff Barriers

- ❖ Unrealistic maximum residue levels (MRLs); impractical limits on common weed seeds in cargoes threaten US export market share
- ❖ Non-scientific based claims against common inputs, widely used fertilizers, time-tested herbicides and pest control products
- ❖ Bans on technology limit innovation and efficiency; jeopardizing legitimate global food security goals
- ❖ These costly, non-tariff restrictions have stranded cargoes in

foreign ports with little recourse but to renegotiate contract price or terms; difficult issues with little hope of meaningful resolution under existing trade remedy provisions

- ❖ Past US Administrations initiated preliminary negotiations with the UK, European Union, and strategic trading partners in Africa and Latin America, but pursuit of formerly active US trade portfolios has stalled. Current Administration appointments of key trade negotiators and other critical personnel have also lagged normal timelines; shrinking team leadership and capabilities, jeopardizing US producer success in global markets.

## Opportunities:

ND wheat producers have established markets in nearly 100 customer countries worldwide. Approximately 70 percent of North Dakota wheat exports are destined for markets in Asia. Top ten US HRS export customers are the Philippines, Japan, Taiwan, Mexico, Korea, Thailand, Nigeria, El Salvador, Italy and Jamaica.

- ❖ Earlier initiated negotiations have great potential to expand US agricultural exports including wheat and should be re-engaged
- ❖ US wheat industry has also identified growth markets in the Asia-Pacific region that deserve serious attention and required resources
- ❖ Expanding global trade opportunities and market access has enhanced growth and development in US agriculture for decades; allowing US producers and the US production, marketing, and delivery system to become the envy of the world and a model for global food security.
- ❖ US agriculture is the only sector of the US economy that consistently generates a positive trade balance. This year US agricultural exports will set a new record of \$180 Billion. Enhanced Farm Bill investment in USDA's time-proven Market Development FMD and MAP (matching funds) Programs will ensure continued upward trajectory in the volume and value of US agricultural exports.

## Domestic Promotion

With roughly half of our wheat crop consumed domestically, the NDWC continues its domestic promotion efforts on a mostly collaborative basis with national organizations including the National Pasta Association (NPA) and the Wheat Foods Council (WFC). The WFC continues to find success with online webinars that offer continuing education credits to registered dietitians and personal trainers. WFC library of videos, both educational and entertaining have views in the millions. One of their most successful events has been the chef training events at the Culinary Institute of America which has provided the stage to highlight wheat foods to chefs from KFC, Darden Restaurants, Starbucks and other restaurants and chains. The Commission works with NPA on pasta related topics with a website – [www.sharethepasta.org](http://www.sharethepasta.org) – focused on nutritional information and recipes.

In state, the Commission participates in three Living Ag Classroom events, educating fourth grade students on North Dakota agriculture and the foods and products produced from each commodity. 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 and educating consumers on the durum and pasta industries.

## Domestic Policy Partners



The NDWC directed \$643,616 to the ND Grain

Growers Association (NDGGA) and the US Durum Growers Association (USDGA) to aid their work in addressing domestic policy issues in 2021-22. 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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Slope ..... Miles Hansen  
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Divide ..... Aaron Jacobson  
McKenzie ..... vacant  
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