U.S. HARD RED SPRING WHEAT
“DNS WHEAT”

- Second largest class produced in the U.S.

- Known for:
  - High protein content
  - High vitreous kernel levels
  - Dough strength and high water absorption
  - Large Loaf volumes

- Typically used as “blending” wheat (improve protein content and protein quality),
  - Specialty bread products, Asian noodles, bagels, pizza crust, frozen and refrigerated dough products

- Major competitor? Canada and Australia, with some German and Kazak wheat competition dependent on year

- < 2% of Global Wheat Production, Highest Value in Int’l Wheat Trade “Cream of the Global Crop”
EXPORT MARKETING

- Customer base of more than 50 countries

- HRS
  - Typically export 50% of crop
  - Asia is major demand center – 60-70%
  - ND wheat competes at highest price level in international trade

- Durum
  - Typically export 25% of crop
  - North Africa and Europe major demand center
  - ND wheat known for higher protein, color (DHV/HVAC) and functionality
WHO BUYS U.S. HRS WHEAT?

- USA: 55%
- North Asia: 13%
- Latin America: 7%
- South Asia: 19%
- Europe: 3%
- Middle East: 2%
- Sub-Saharan Africa: 1%
U.S. WHEAT ASSOCIATES FOREIGN OFFICES AND REGIONS

Goal: Boots on Ground Where it Matters Most
TRADE POLICY

• Trump Administration, Trade Officials
  ➢ USDA – Sonny Perdue, Secretary of Agriculture
    • Steve Censky – Deputy Secretary
    • Ted McKinney – Under Secretary for Trade
    • Steve Mnuchin – Treasury Secretary
    • Larry Kudlow – White House Advisor
  ➢ Commerce – Wilbur Ross
  ➢ USTR – Robert Lighthizer
  ➢ Chief Ag Negotiator – Greg Doud

• Exports very important for wheat, soybeans, corn, beef, specialty crops

• New Agreements?
  ➢ NAFTA Rewrite (USMCA)/KORUS
  ➢ Bilaterals - Extremely important without TPP
    • Japan market $2.00/Bushel duty disadvantage
    • Japan, Canada, Australia all in TPP-11
    • TPP+ - in new agreements
TRADE POLICY

Important for all U.S. Ag and U.S. Economy

PHILOSOPHY:

❖ Pursue Policy Environment that Fosters Growth in Agricultural Trade
  • Clear the deck of tariff and non-tariff barriers
  • Fosters Success in Market Development and Growth

❖ U.S. Agricultural Exports
  • One third of Gross Farm Income
  • Total Annual Value of $140 Billion
  • Only Sector of U.S. Economy that consistently generates a trade surplus
TRADE POLICY PRIORITIES

- USMCA (U.S., Mexico, Canada Trade Agreement
  - Held up in Congress – House
- Japan Trade Agreement
  - Address Japan Mark-up (Tariff)
  - U.S. HRS Exports - #2 Customer
  - TPP Imbalance Correction
- China – Longer Process – Intel Property, Financial Issues
  - Pursue All Opportunities – Normalize Agricultural Trade
  - Enforce 2 WTO Wins – U.S. Wheat
    - Wheat TRQ
    - Domestic Wheat Subsidies violations
- Future FTA/Market Growth Opportunities
  - Indonesia, Vietnam, Philippines, Taiwan
- Canada Issues Beyond Feed Grade
  - VRS, National Treatment
  - Rail Rate Disparity
US Wheat Producers Face Market Share Loss in Japan

Increasing tariff advantage to Australia and Canada

US HRS sales could be priced at $1.90 per bushel over Canadian

40 cents per bu.

Bottom Line:
Japan Flour Millers Assn projects U.S. exports could drop from 110 million bushels to 50 million.
TOP IMPORTERS OF U.S. HRS
FIVE-YEAR AVERAGE (2014/15 – 2018/19)

USDA Export Inspections
Xldata/Both/Exports/Top 10 & 5 yr avg
EXPORT TRENDS – BY REGION
U.S. HARD RED SPRING WHEAT

Million Bushels

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<tr>
<th>Region</th>
<th>14/15</th>
<th>15/16</th>
<th>16-17</th>
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<td>216</td>
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Million Tons

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Legend:
- 14/15
- 15/16
- 16-17
- 17-18
- 18-19
ND AG ENTERPRISE VALUES
(PRICE X PRODUCTION)

$ Billion


All Wheat Soybeans Corn Livestock Other Crops

7.3 6.1 8.3 7.0 11.6 8.3 8.4 8.0 8.5 8.5 7.6 7.9