



Wheat Producers Advantage

South Dakota Wheat, Inc.

March 2018

Wheat Producers Are At Work in Washington, DC

The National Association of Wheat Growers held their Winter Meeting in Washington D.C. in early February. President Todd Mangin, Treasurer Paul Hetland and Caren Assman, Executive Director, for SD Wheat Inc., attended the four day conference. The conference kicked off with "Hill Visits" with our Congressional members, Senator Thune, Senator Rounds and Representative Noem. During our Hill Visits we sat down with Senator Thune and had a frank conversation about the 2018 Farm Bill. Our Congressional members are vital to the agriculture legislation. Out of 436 Representatives only 36 are from agricultural areas making their job of moving ag related bills extremely difficult.

Issues discussed with our Congressional members included Farm Bill priorities such as Crop Insurance, Market Access, Conservation Programs, Trade, Nutrition, Credit and Research. The 2018 Farm Bill includes conservation programs that provide financial and technical assistance

for farmers to adopt conservation practices on their operations. Programs such as Conservation Stewardship Program (CSP) the Environmental Quality Incentives Program (EQIP) and the Conservation Reserve Program (CRP) offer conservation activities to help wheat growers address soil erosion, water quality and quantity, habitat and other natural resources. While attending NAWG committee meetings we learned that Congress is looking to combine EQIP and CSP. Todd Mangin, President of SDWI said "By joining EQIP and CSP the government is pooling resources of both programs to make it cost effective." "CSP is consistently short of funds. When a producer is enrolled in one program, it restricts them from enrolling in another program. By combining the two programs together it allows producers to take advantage of both programs at the same time."

(Continued on page 5)



SDWI producers discuss Farm Bill issues: Paul Hetland, Chet Edinger, Todd Mangin, Caren Assman, Brendon Plack, Thune's Staff Director, Senator Thune, Logan Penfield, Thune's Legislative Aide, Clint Vanneman.



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Shannon DePoy, Lantry

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Adam Roseth, Midland

DISTRICT 3

Tanner Handcock, Wall

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Doug Simons, St. Lawrence

DISTRICT 5

Todd Mangin, Gettysburg

DISTRICT 6

Vacant

DISTRICT 7

Paul Hetland, Mitchell

Caren Assman, Executive Director

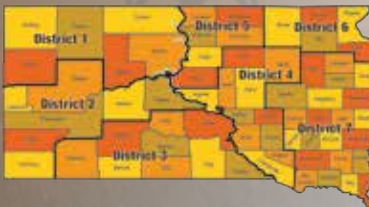
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Chet Edinger, Mitchell

Tregg Cronin, Gettysburg

Terry Hand, Midland

Clinton Vanneman, Ideal

Leon Keoppe, Claire City

Legislative Review

Precision Ag Center

SDSU is proposing to build a new Precision Ag Center, renovate Berg Ag Hall, and demolish three old buildings on campus. Total estimated cost of the project is \$55 million. The proposal includes asking the 2018 Legislature for \$31 million in state funding, paid for by using ag land property tax relief funds. The remaining funds for the building would come from:

- \$6.6 million from the SD Corn Utilization Council
- \$7.5 million in RIF
- \$10 million in corporate donations, of which approximately \$7 million has been raised
- 2-12-2018 Precision agriculture discussions continue. SDSU leaders were in the Capitol last week to provide extensive details about the proposed project and answer questions from legislators and ag lobbyists. An ad hoc work group will continue meeting to search for funding options to pay for the project.

Nonmeandered Waters

A Supreme Court decision issued on March 15 directed the Legislature to determine the extent of public recreational use of nonmeandered water over private property. A special legislative session on June 12 passed a law which specifies that nonmeandered water is open to the public unless the owner of the underlying private property posts the water as closed to recreational use. Landowners who restrict public use cannot charge for recreational access.

Because a sunset date of June 30, 2018 was attached to the legislation, the legislature will need to address this issue. Governor Daugaard has offered SB 24 to extend the sunset three years.

2-12-2018 Nonmeandered waters was the subject of a three-hour hearing on Wednesday night. This bill is basically the sportsmen's attempt to undo the compromise passed in June during the Special Session. It declares all waters are automatically open for recreational use, although landowners could have the ability to post a 660-foot privacy zone around their home, a church or school, or a permitted CAFO. The bill was sent to the floor without recommendation on a vote of 8-1. Being both very brave and hopelessly naïve, we predict that the various bills dealing with this issue will end up in a contentious conference committee and we will still be discussing this the last week of Session.

Protein and Moisture Machine Certification

There has been a law in place for several years to provide testing and certification of protein and moisture machines through the Department of Ag. The bill did not provide financial support to regulate all of the testing or certification of the machine found in the approximate 200 elevators across the state. A bill will be introduced to address this issue, and a cooperative effort will be made to find a reasonable solution.

Ag Land Assessment Task Force

The SDSU Economics Department is continuing its study of how to better determine the productive value of ag land based on what is legally permissible, physically possible, financially feasible, and results in maximum productivity. The study is to be completed next year.

Grain Buyer Licensing

Following the default of H&I Grain this past summer, the Public Utilities Commission is bringing in legislation (SB 26) to increase reporting requirements for public grain buyers. They propose requiring Class A grain buyers to submit a quarter-ending balance sheet to PUC, as well as lowering the threshold from \$10 million in annual grain purchases to \$5 million as a qualification of a Class A grain buyer. Anything below the threshold is a Class B grain buyer.

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Tregg Cronin, Wheat Commissioner



We had a chance to visit with Tregg Cronin about his reappointment to the SD Wheat Commission. Below he candidly shared insight into his involvement of serving on a Commission.

Q. What do you hope to accomplish by serving the SD Wheat Commission.

A. One thing I want to accomplish by serving the SD Wheat Commission is to maintain and grow wheat's position in the South Dakota rotation. It is no great secret wheat acres have been on the decline both in South Dakota and nationally. Yet, when a person talks to a wheat producer, one of the first things they'll talk about is how important wheat is to both their soil and the other crops they raise. Eventually, I do believe wheat will claw its way back from an economic standpoint to be right with corn and soybeans. Until then, however, the benefits wheat provides from a diversity, workload, soil health and pest management standpoint cannot be overstated.

Q. What issue would you like to see SD Wheat Commission work on?

A. As with any check-off based board or commission, it is always important to constantly educate and remind producers where those check-off dollars are going and how they are benefitting our state's farmers. While the producer is always the primary focus, sometimes communicating the benefit of those check-off dollars can get lost amid the shuffle.

Q. When did you return to the family farming operation?

A. I returned to my family's farming operation in the spring of 2013 following time spent trading grain with CHS, Inc. in St. Paul, MN. At this time, I began to work closely with my uncle Monty on marketing our farm's grain.

Q. Does your operation include livestock and farming?

A. Yes. We run a black Angus cow/calf operation in addition to our diversified grain operation which includes spring wheat, winter wheat, corn, sunflowers, soybeans, flax, lentils, field peas and forage.

Q. How many employees do you have? What is the most difficult area of employees?

A. Our operation consists of my father Mike, uncle Monty, cousins Corey and Casey and our long-time farm manager, Dan Forgey. We are fortunate to at the moment to have an all-family operation, but it will not be that way forever. With production agriculture, it can be difficult to get employees without an ownership stake to make the goals and success of the operation their own. Coming up with creative bonus and profit sharing strategies are key in retaining employees long term with the different operations I've seen.

Q. How do you feel about the economic status of farming in SD on a scale of 1 to 10? (1 lowest 10 best)

A. South Dakota has a very unique place in agriculture given its diversity and climate. With a good portion of our state enjoying a more arid climate than our neighbors to the south and east, moisture conservation is key. In this environment, no till has allowed producers to flourish where they might otherwise have struggled. With that in mind, I always believe South Dakota is in a great position to suc-

ceed relative to our Midwest neighbors. Farming is not as profitable as it was from 2009-2014, but that isn't to say farming in South Dakota is in trouble. With the pendulum swinging back to tough times, this will be a great opportunity for operations to get lean and make the decisions which will allow them to be farming in 20 years, not just two. If I had to put a number on it, I think the economic status of farming in South Dakota would be about a five or six.

Q. How do you feel about yields vs quality for wheat?

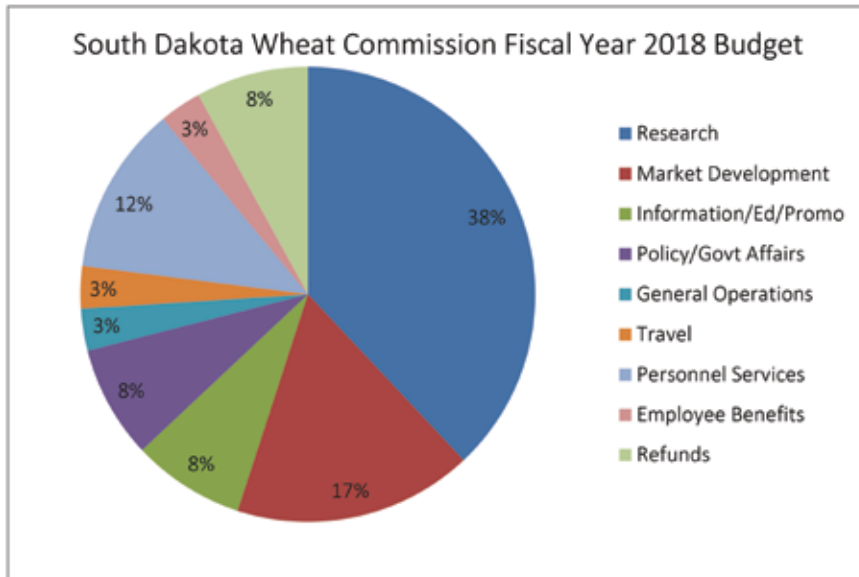
A. Yields vs. quality is a very interesting topic when it comes to wheat. As producers, our ultimate goal is to raise as much as possible, as cheaply as possible. However, with wheat, the quality component is so much more important than many competing crops. Without functionality for the end user, wheat isn't wheat. In recent years, we've seen what happens when the market has too much of one or the other. Breeders have such a tall task on their hands in trying to thread the needle between adding more bushels per acre, but preserving the very quality characteristics that mills depend on.

Q. Do you think educational seminars help your operation? Which type of information do you seek out?

A. Educational seminars definitely help our operation, and it is incumbent on producers to be attending them and making their operations better. I regularly attend marketing conferences, soil health meetings, crop input seminars, etc. In this day and age, folks promoting various conferences and seminars have so many methods of getting the word out. Social media has been an especially important component in communicating with other producers, and learning about different methods of doing things. The amount of farmers on Twitter these days is quite remarkable, and there is no shortage of people willing to help with a problem.

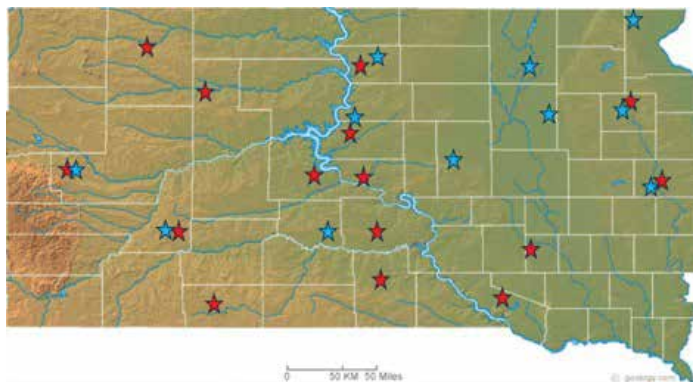
Q. Are there any accomplishments in your professional life that you are particularly proud of?

A. The last several years, I've had the great opportunity to travel to DTN's Ag Summit in Chicago, IL each winter to speak with producers about marketing. It is an annual highlight, and each year I feel as though I learn as much from the producers around the Midwest as they do from me. In addition, I'm also very proud to be serving on the South Dakota Wheat Commission, and hope I've been able to bring something unique to the board.



Check-off Dollars Support SDSU Crop Performance Testing

Wheat variety selection is a management decision growers make each year that can have a large impact on profitability. Spring and winter wheat variety testing is a service that South Dakota State University (SDSU) has been pro-



South Dakota wheat testing locations. Winter wheat locations are denoted by the red stars, spring wheat locations by the blue stars.

viding for more than a half century. This service provides yield and other agronomic information for wheat growers throughout South Dakota. Substantial yield differences still exist between popular varieties and location-specific recommendations are important to maximizing wheat production throughout South Dakota. The data-driven wheat variety recommendations generated by the SDSU Crop Performance Testing (CPT) program can help growers increase profitability on their farm. In addition to providing recommendations to growers, the CPT program collaborates with both the spring and winter wheat breeding programs at SDSU to evaluate advanced experimental lines (which may be eventually released as a public variety).

As a part of the CPT program in 2017-18, 38 winter wheat and approximately 50 spring wheat varieties (including experimental lines submitted by breeders for potential future release) will be tested at 15 and 11 locations in SD, respectively (Figure 1). In 2017, 16 winter wheat and 20 spring wheat varieties were private entries and the remainder are public varieties or experimental lines.

Winter Meetings

(Continued from page 1)

When it comes to crop insurance the old system was an ad-hoc disaster payment from Congress which was paid for entirely by taxpayers. Under Title I, ARC/PLC Programs replace our old ad-hoc disaster payments and farmers pay premiums for policies with the federal government sharing in that cost. Cost-sharing is essential to crop insurance remaining affordable. Paul Hetland, SDWI Director from the Mitchell area shared his thoughts, “Having Crop Insurance allows Congress to work with a fixed dollar amount. Without crop insurance, that risk falls to disaster programs which are additional dollar amounts that fall outside of the federal budget. Additionally crop insurance provides dollars to go directly to the producers experiencing the loss.”

Also in attendance, were members Chet Edinger and Clint Vanneman attending the US Wheat meeting held jointly at the same location. US Wheat attendees provide education on several issues included Market Access, Nutrition and Research.

The run-up in subsidies in developing countries – particularly in China, India, Turkey, and Brazil – is a continuing problem for the wheat industry and needs to be addressed at the World Trade Organization (WTO). The best trade policy would provide long-term benefits through strong and enforceable commitments in as many countries as possible. The WTO is the ideal place for this followed by bilateral Free Trade Agreements.

Mexico is the largest market for US wheat and that is due in large part to NAFTA. A top priority for wheat growers in the ongoing NAFTA negotiations is no change in Mexico’s market access commitments. Wheat is the most trade-dependent of the major food and feed crops grown in the United States. Over 90% of South Dakota’s wheat crop leaves the state. Without exports, the price of wheat

would collapse and many wheat farmers would have to exit farming altogether, but individual farming operations cannot effectively market wheat overseas. USDA market development programs are used to encourage those customers to consider the various classes and qualities of wheat grown across the US for the benefit of thousands of Americans working throughout the supply chain from farm to port.

Clint Vanneman, SD wheat producer works to provide information about the importance of MAP and FMD programs. “It is my understanding that export market development programs have accounted for 15% of export revenue that has been generated for agriculture. Part of those match dollars come from South Dakota check-off in an effort to ensure that the foreign markets continue.” US Wheat Associates represents wheat farmers in overseas markets. The key goal is to train millers and end product manufacturers about the benefits of using US wheat and flour so that they choose to purchase those products even when there is a price premium compared to wheat from other countries.



Paul Hetland, Todd Mangin, Caren Assman, Senator Thune, Chet Edinger, Clint Vanneman, Reid Christopherson.

Tax Reform Section 199A Explanation

The tax reform package passed by Congress in December included the elimination of the Section 199 Domestic Production Activities Deduction (DPAD) and replaced that deduction with a new provision that's referred to as Section 199A.

Previous Law (Section 199)

Section 199 under the previous tax law provided certain businesses with a 9% deduction for "qualified production activities" (including the production and processing of food; the production must be in whole or in significant part in the U.S.), capped at 50% of wages. The provision had unique application to cooperatives, and could be either used at the coop level or passed back directly to farmer-members. Around 95% of the Section 199 benefits had been passed through to farmers/growers.

Creation of 199a

As bill text was introduced it became clear that the Section 199 deduction was going to be removed. In its place, Congress added in a new provision that was intended to provide similar treatment to farmers as they were treated under the previous Section 199. It has turned out, though,

that the way the new provision was structured has created significant benefits for farmers selling to cooperatives as compared to selling grain to non-cooperatively owned facilities. Essentially, the new provision enables a grower selling to a cooperative to get a 20% deduction of their gross sales, whereas a farmer that sells to a facility that is not a coop does not get a 20% deduction on their taxable income. Concern has been raised about the tax code incentivizing to whom a farmer would sell their grain. There is also concern about the potential long-term negative impacts this could have on growers.

Potential Revisions

There are discussions underway on the Hill about potential fixes to this issue. Some possible options that we understand are being considered are to adjust the percentage of the deduction to make it more on-par with the corporate rate reduction; a new provision that would be somewhere between the previous 199 and the new 199A; or setting the same deduction for both coops and non-coops (whether that's on gross sales or on taxable income). It now looks like we will have to wait until March 22nd for a final decision.



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ADVOCACY

Representation, Communication & Education

Each January brings a new year and another legislative Session in Pierre. SD Wheat Inc., represents its members at the Capitol in Pierre and Washington DC. Providing a presence at both Capitol's delivers a very crucial line of communication between our members, legislators and congressional members.

It is our priority to participate in the legislative process all year long but during session we provide a daily presence with legislators in Pierre. We anticipate dealing with a host of issues during the 2018 legislative session. Transportation, ag land taxes, water and water shed management, crop insurance and new laws are just the beginning. SD Wheat Inc.'s, primary goal is to represent producers' views and communicate to producers how legislative change would affect their operation.

In February, we travel to Washington, DC, to attend the National Association of Wheat Growers winter meetings and have our "Day on the Hill"! Several wheat producers will spend the day visiting Senators Thune and Rounds as well as Representative Noem to discuss proposed tax changes, 2018 farm bill, trade agreements and market development.

Your membership dollars allow us to enhance the lines of communications! Join today and help **GROW OUR FUTURE.**

Contact your legislator at: <http://sdlegislature.gov/legislators/default.aspx?Session=2018#divName>

Contact your congressional member at: www.Thune.senate.gov • www.Rounds.senate.gov • www.Noem.house.gov

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AG HORIZONS CONFERENCE

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Pierre, SD

November 28 & 29, 2018

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Speaker



Peter J. Meyer
Senior Director
Agricultural Commodities
S&P Global Platts-PIRA

Joined PIRA in 2012 to launch the Agricultural Commodities Retainer Service. His career in commodities spans over 35 years, concentrating on agriculture for the past 20. Prior to joining PIRA, Pete held the position of Agricultural Commodities Specialist at both Lehman Brothers and JP Morgan, where he worked with a wide variety of clients from hedge funds and pensions to energy companies and protein producers. He also spent 14 years on the floors of the Chicago Board of Trade and Chicago Mercantile Exchange, trading on behalf of clients as well as proprietarily. He is a long-time crop tour participant who spends more time in the field than the office during the growing season. He is a frequent presenter at a variety of agriculture conferences and is often sought out for his opinions and yield estimates by members of the media.

Calendar of Events

Commodity Classics

February 29 - March 2, 2018 - Anaheim, California

Wheat Walks - In The Field Diagnosis

May - across the state - locations to be announced

Wheat Yield Contest

Application Deadline - May 15 for Winter and Spring Wheat

Ag Horizons Conference

November 28 - 29, 2018 - Ramkota - Pierre

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