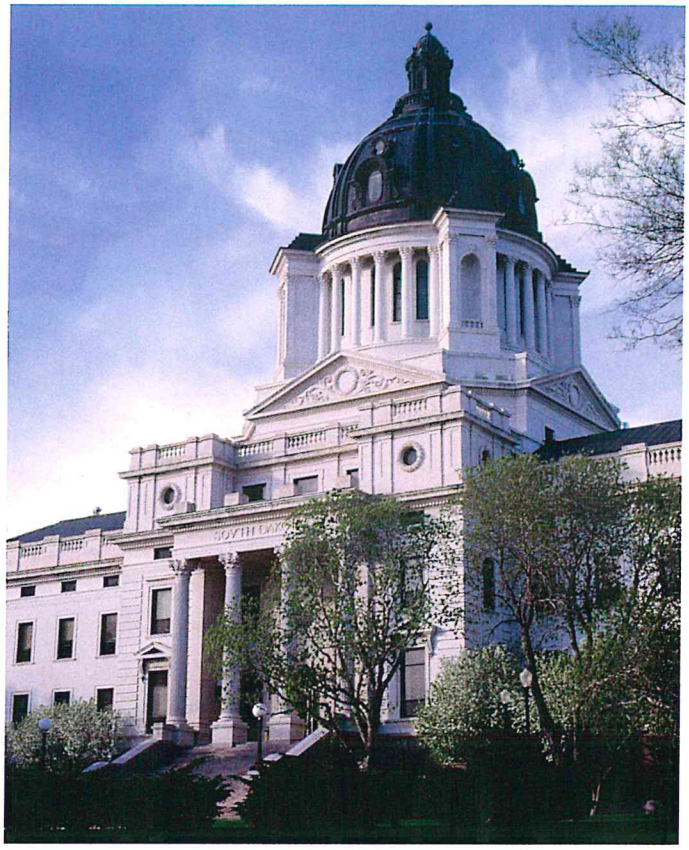
Wheat Producers Advantage
South Dakota Wheat, Inc.
February 2019

2019 Capitol Issues

SD Wheat Inc., is your lobby arm for the wheat industry, at the Capital in Pierre. Your membership dollars allows the Association to provide weekly membership emails on issues happening during session that will affect your farming operation. If you would like more information on the legislative issues we are watching such as ag transportation, ag land assessment issues, crop insurance, land/water issues, equipment regulations and federal programs go to www.sdwheat.org. If you have questions or concerns about the bills or SDWI position please contact the office at 605-224-4418.



Steve Rumpza Elected to SD Wheat Inc. Board

South Dakota Wheat Inc., elected Steve Rumpza, from Webster, as their Board of Director during the recent Ag Horizons Conference in November. "As representative for District 6, I look forward to being the voice for wheat producers in our area! It is my intent to host educational seminars and increase producer dialogue concerning the production of wheat."

Director Rumpza looks forward to working with producers in Aberdeen, Webster and Sisseton to bring SDWI new educational seminar titled "Wheat Works" which include wheat management, rotational ideas, new wheat varieties and financial strategies to making wheat profitable. Director Rumpza is quoted in saying "If you produce a quality product/crop the yield will follow!"

In 1997 Director Rumpza joined the operation which grows corn and soybeans in addition to spring wheat. We encourage growers to reach out to Director Rumpza with questions or concerns about the wheat industry at 605-224-4418. South Dakota Wheat Inc., is the lobby arm of the industry which represents producers in Pierre and in Washington DC. Our goals are communication, representation and education of the producers engaged in growing wheat in South Dakota.

U.S. HARD RED SPRING WHEAT

MINNESOTA | MONTANA | NORTH DAKOTA | SOUTH DAKOTA | IDAHO | OREGON | WASHINGTON

2018 OVERVIEW

THE 2018 U.S. hard red spring wheat (HRS) crop is large in production, high grading, high protein and laboratory analysis reveals a crop with many positives for key end-use quality traits. Production is up more than 50 percent from 2017's drought impacted crop, due to expanded planted area and a record national yield. Production is higher across all major HRS regions.

PRODUCTION DATA

	2018	2017	2013-17 AVERAGE
MILLION BUSHELS			
Minnesota	93	76	73
Montana	96	48	82
North Dakota	318	207	265
South Dakota	41	21	50
ID/OR/WA	39	31	26
U.S. Total	**587**	**384**	**496**
MILLION METRIC TON			
Minnesota	2.53	2.07	2.00
Montana	2.61	1.31	2.23
North Dakota	8.66	5.63	7.20
South Dakota	1.12	0.57	1.37
ID/OR/WA	1.06	0.87	0.71
U.S. Total	**15.9**	**10.5**	**13.51**

Source: USDA 2018 Small Grains Summary

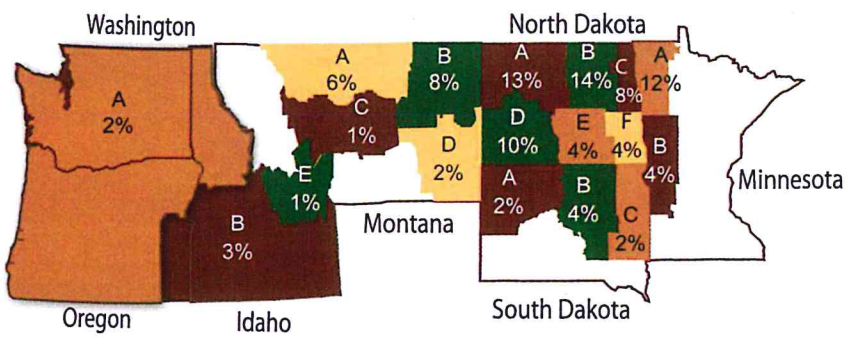
THE CROP averages a No. 1 Dark Northern Spring, up from a No. 1 Northern Spring in 2017, as the crop average vitreous kernel level is 86 percent as compared to 71 percent last year. Grade distributions, on samples collected in the survey, have 95 percent grading No. 1. The crop average test weight is 62.2 lbs/bu (81.8 kg/hl), higher than last year and the 5-yr average. Eighty-four percent of the crop is above 60 lbs/bu (78.9 kg/hl). The 2018 crop's average damaged kernel level is 0.4 percent, up slightly from last year and 5-yr average. Favorable weather during maturation and dry weather during harvest secured a crop with high vitreous kernel levels. Nearly 90 percent of the crop is above 75 percent vitreous kernel counts, or the minimum for Dark Northern Spring sub classification.

PROTEIN CONTENT is high in the 2018 crop, an unanticipated outcome given the record yields across the region. The crop average is 14.5 percent (12% moisture basis), equal to last year and one-half percentage point above average. By area, protein levels are down slightly from a year ago across western parts of the region, but steady to slightly higher across the east. Distribution of protein is nearly equal to a year ago with 71 percent of the crop above 14% protein, and only 11 percent below 13% protein.

IN 2018, disease pressures were higher than 2017 due to more plentiful moisture patterns. The heaviest pressure from Fusarium headlight was across eastern parts of the region. The crop average DON is 0.4 ppm, up from 0.0 last year and 0.2 ppm for a 5-yr average. The majority of cropping areas show <0.5 or 0.0, but a few areas average near 1 ppm. Thousand kernel weights are very good, with a crop average of 31.2 grams. The mostly dry harvest conditions are evident in the crop average falling number of 399 seconds. More than 95 percent of the crop is above 350 seconds.

MILLING ANALYSIS, based on a Buhler Lab Mill, averaged 68.1 percent extraction, down from 2017 but similar to the 5-yr average. Average flour ash is 0.52 percent, also lower than last year but similar to the 5-yr average. Starch damage averages 8.3 percent, up from both last year and the 5-yr average. Wet gluten values for the crop average 36.4 percent, higher than both last year and the 5-yr average.

APPROXIMATE SHARE OF REGIONAL PRODUCTION



PHYSICAL DOUGH tests indicate a crop that has 1.6 percentage points higher Farinograph absorption as compared to 2017. The crop average Farinograph stability time is 11.4 minutes, down slightly from 11.9

CIVIL DESIGN INC
Civil Engineers & Land Surveyors

Sisseton Milbank Railroad Modernization Project

The Sisseton Milbank Railroad runs ~37 miles from Milbank SD north to Sisseton SD in Grant and Roberts Counties. The line connects to BNSF at Milbank.

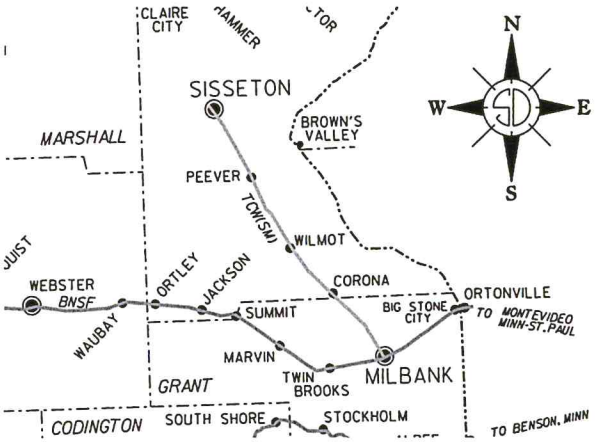
Through trackage rights across BNSF (Milbank SD to Appleton MN), the SMRR could also host unit grain trains from Canadian Pacific and Union Pacific to and from St Paul MN. However due to poor track and bridge conditions, the line cannot currently support unit grain trains.

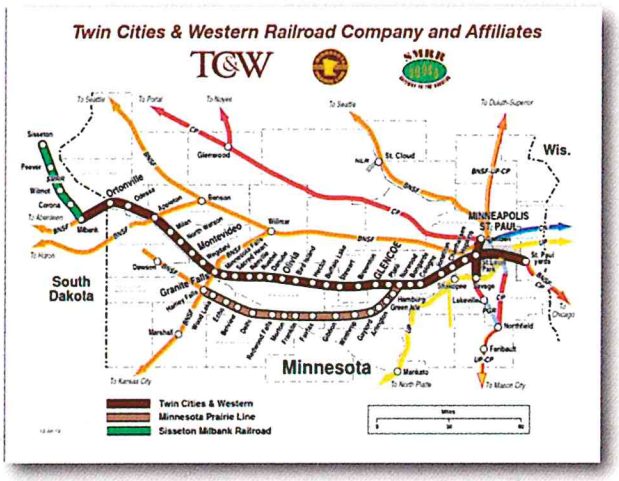
The line needs to be rebuilt to support 286,000 lb cars & 6-axle locomotives. Civil Design Inc has administered similar rebuilding projects, most notably the MRC 1 & 2 from Mitchell to Presho, SD.

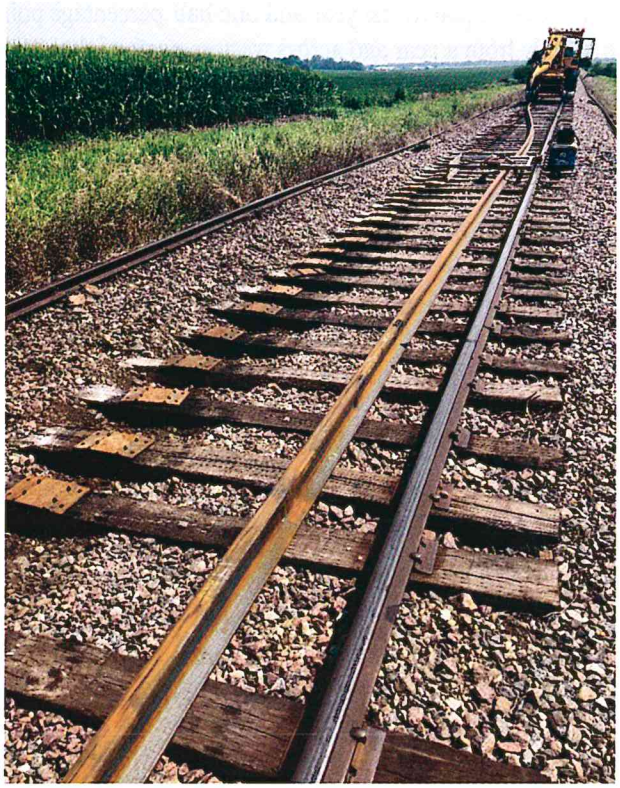
The line currently supports carload traffic of ag commodities and plastic pellets, and will likely gain more carload traffic once rebuilt. Civil Design Inc has reached out to several industries and the Sisseton Wahpeton Oyate and found interest in added carload traffic. Some commodities such as propane cannot currently go on the SMRR due to track condition, but could if the line was rebuilt. The Grant County Development Corporation fields inquiries from industries requiring rail service. Many carload shippers find better service and streamlined connections to other railroads when located on a shortline such as SMRR rather than a Class1.

Once rebuilt, this line could bring unit grain train service from three railroads (BNSF, Union Pacific, Canadian Pacific), bringing competitive service and new markets. The line also has access to barges in St Paul.

CDI has completed a cost estimate for rebuilding the line at $26.1 million. This would be gained through a combination of Federal, State, and Private funding sources. The project is seeking contributions from entities in the area—even a small pledge is very helpful in securing grants and loans.







The new rail is installed using specialized equipment. The old rail and materials are collected and recycled to make modern material for installation on following projects.
The SMRR may be built with CWR or 80' sticks depending on availability.

info@civildes.com // www.civildes.com

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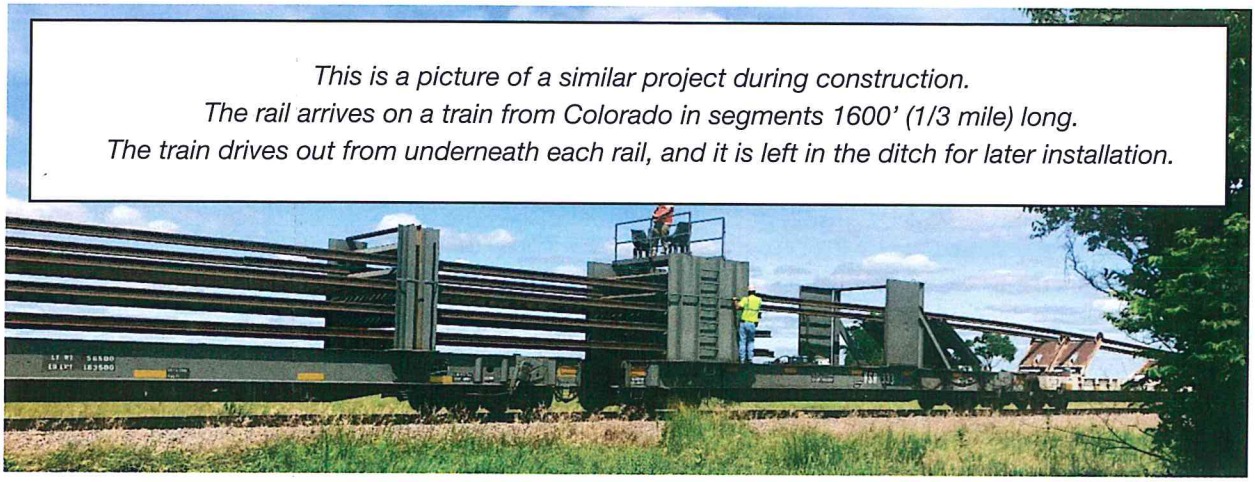
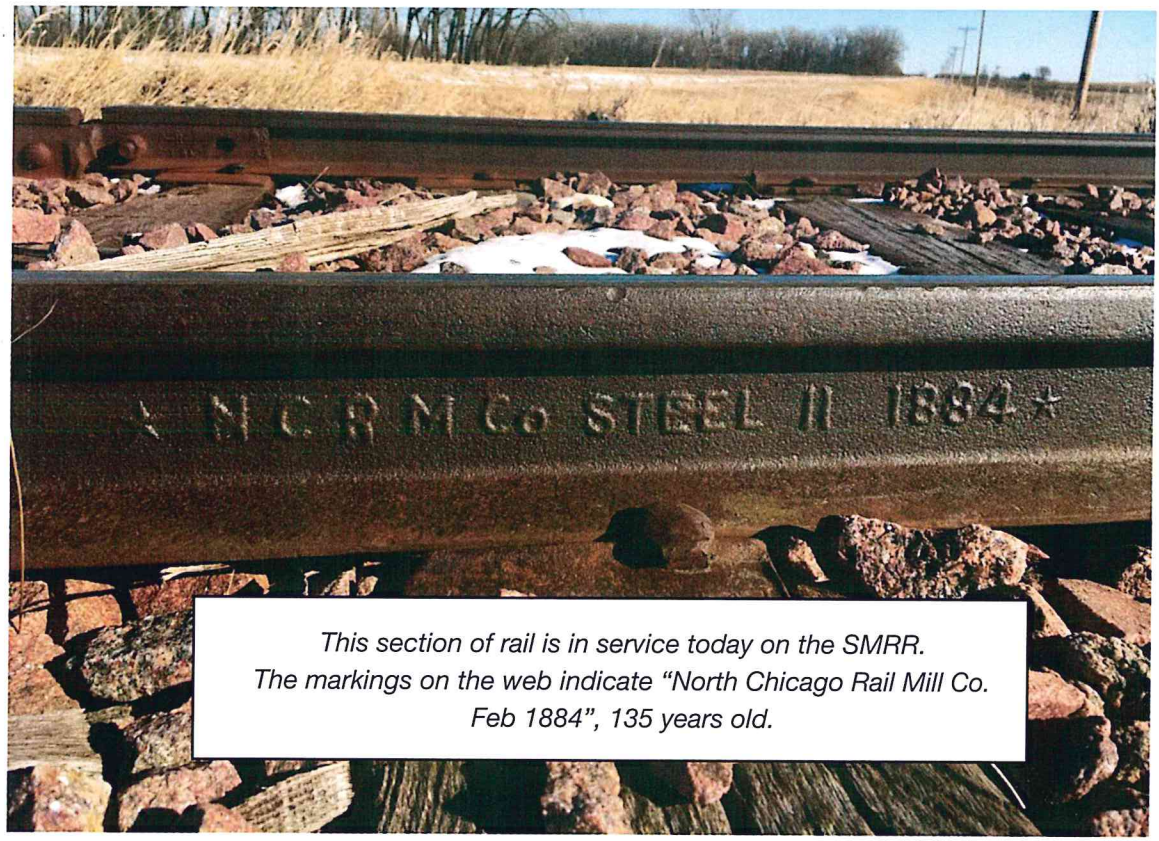
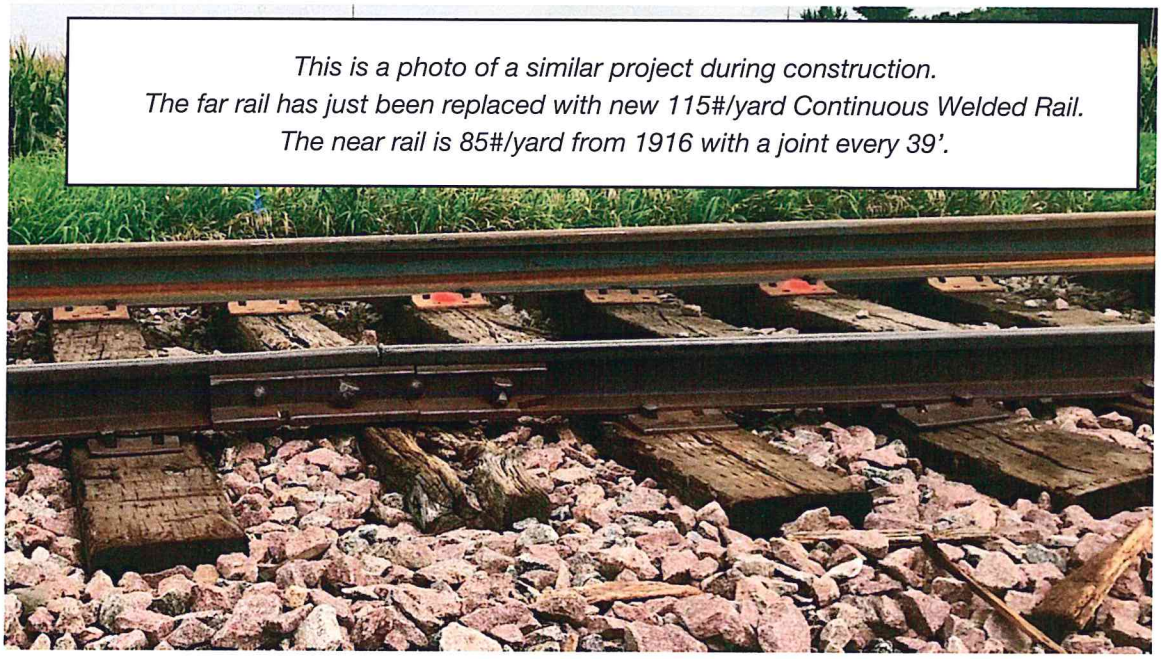


This is a picture of a similar project during construction.
The rail arrives on a train from Colorado in segments 1600' (1/3 mile) long.
The train drives out from underneath each rail, and it is left in the ditch for later installation.



This section of rail is in service today on the SMRR.
The markings on the web indicate "North Chicago Rail Mill Co. Feb 1884", 135 years old.



This is a photo of a similar project during construction.
The far rail has just been replaced with new 115#/yard Continuous Welded Rail.
The near rail is 85#/yard from 1916 with a joint every 39'.

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HANDLING AND TRANSPORTATION

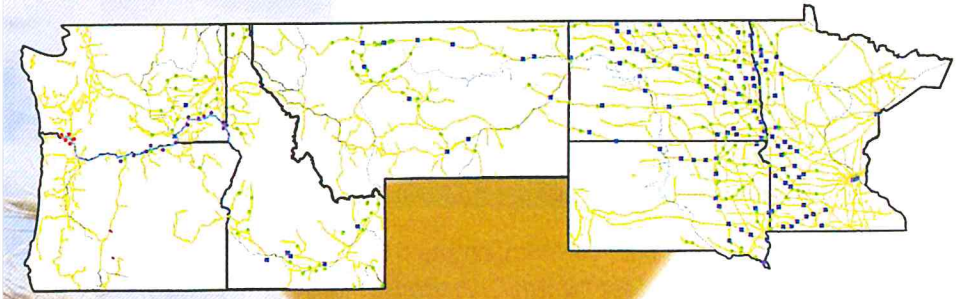
The hard red spring wheat growing region utilizes truck, rail and water to get wheat from farms to export facilities. The Northern Plains has a vast network of country elevators to facilitate efficient and precise movement to domestic and export markets. On average, nearly 80 percent of the region's wheat moves to markets by rail. The dominant railroads are the Burlington Northern Santa Fe, the Union Pacific and the Canadian Pacific.

In the Pacific Northwest, a large river system is used along with rail to move wheat to export points.

An increasing number of the elevators in the region are investing in facilities and rail capacity to ship 100-110 car units in "shuttle" trains. Each rail car holds approximately 3,500 bushels (95 metric tons) of wheat. Shuttle-equipped facilities receive the lowest rates, sharing volume and transaction efficiencies with the railroad.

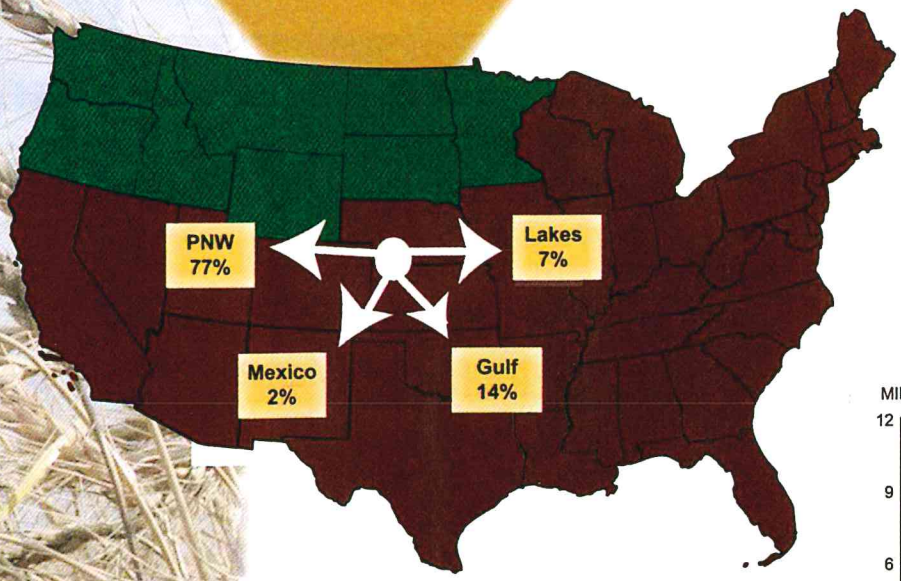
The diverse rail and water shipping capacities and a widespread network of elevators are strengths that buyers can capitalize on, especially as their demand heightens for more precise quality specifications and consistency between shipments. Buyers are encouraged to explore origin-specific shipments to optimize the quality and value of wheat they purchase.

The elevator network in the U.S. hard red spring wheat region is well suited for meeting the increasing quality demands of both domestic and international customers.

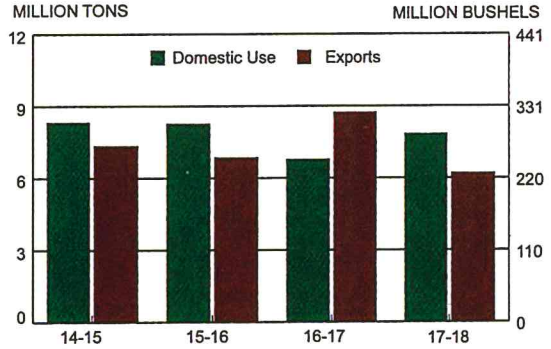


Grain Handling and Transportation Facilities in the U.S. HRS Region

- 100+ rail car track
- 50 - 99 rail car track
- Export terminals
- River terminals
- River system
- Rail network



AVERAGE SHARE OF U.S. HRS EXPORTS BY PORT (2014-2017)



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WHEAT GRADING DATA

STATE AND CROP REPORTING AREA	TEST WEIGHT LBS/BU	TEST WEIGHT KG/HL	DAMAGE %	SHRUNKEN/ BROKEN KERNELS %	TOTAL DEFECTS	U.S GRADE SUBCLASS	VITREOUS KERNELS %
MINNESOTA							
Area A	62.4	82.0	0.6	0.7	1.3	1 DNS	86
Area B	60.5	79.6	0.6	0.7	1.3	1 NS	45
State Avg 2018	62.0	81.6	0.6	0.7	1.3	1 DNS	78
State Avg 2017	62.4	82.0	0.0	0.5	0.5	1NS	60
MONTANA							
Area A	60.6	79.7	0.3	1.3	1.6	1 DNS	88
Area B	61.0	80.3	0.2	1.4	1.6	1 DNS	93
Area C	62.6	82.3	0.2	0.7	0.9	1 NS	60
Area D	62.1	81.6	0.2	1.5	1.7	1 DNS	81
Area E	62.3	81.9	0.2	0.7	0.9	1 DNS	93
State Avg 2018	61.0	80.2	0.2	1.3	1.5	1 DNS	90
State Avg 2017	60.8	80.0	0.0	1.8	1.8	1 DNS	77
NORTH DAKOTA							
Area A	62.9	82.7	0.3	0.8	1.1	1 DNS	89
Area B	63.4	83.3	0.2	0.6	0.8	1 DNS	89
Area C	62.7	82.5	0.4	0.5	0.9	1 DNS	85
Area D	61.6	81.0	0.4	1.0	1.4	1 DNS	93
Area E	61.8	81.3	0.5	0.5	1.0	1 DNS	76
Area F	61.9	81.4	0.6	0.6	1.2	1 DNS	80
State Avg 2018	62.6	82.3	0.3	0.7	1.0	1 DNS	87
State Avg 2017	61.4	80.7	0.1	0.9	1.0	1 NS	71
SOUTH DAKOTA							
Area A	61.3	80.6	0.3	1.1	1.4	1 DNS	82
Area B	61.0	80.3	1.0	1.9	2.9	1 DNS	75
Area C	61.1	80.3	0.4	0.9	1.3	1 NS	66
State Avg 2018	61.1	80.4	0.8	1.6	2.4	1 DNS	75
State Avg 2017	60.5	79.6	0.0	1.0	1.0	1 NS	68
IDAHO - OREGON - WASHINGTON							
Area A	63.0	82.8	0.2	0.8	1.0	1 DNS	95
Area B	63.0	82.8	0.4	0.6	1.0	1 DNS	96
State Avg 2018	63.0	82.8	0.3	0.7	1.0	1 DNS	96
State Avg 2017	63.6	83.6	0.1	0.5	0.6	1 DNS	91
REGION AVERAGE							
Avg 2018	62.2	81.8	0.4	0.9	1.3	1 DNS	86
Avg 2017	61.6	81.0	0.1	0.9	1.0	1 NS	71
Five-Year Avg	61.8	81.2	0.2	0.8	1.0	1 NS	70

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OTHER KERNEL QUALITY DATA

STATE AND CROP REPORTING AREA	DOCKAGE %	MOISTURE %	1000 KERNEL WEIGHT G	KERNEL DIST. MED./LGE %	PROTEIN 12%/0% MOISTURE BASIS %	DON (PPM)	WHEAT ASH %	FALLING NUMBER (SEC)	ZELENY SED (CC)
MINNESOTA									
Area A	0.5	12.5	32.1	42/56	14.1/16.1	0.7	1.57	413	66
Area B	0.5	12.5	28.7	59/38	14.2/16.2	1.1	1.74	391	65
State Avg 2018	0.5	12.5	31.5	45/53	14.2/16.1	0.7	1.60	409	66
State Avg 2017	0.4	12.7	35.8	31/67	13.8/15.7	0.0	1.47	391	57
MONTANA									
Area A	0.4	10.9	29.1	69/26	13.7/15.5	0.0	1.42	389	64
Area B	0.7	10.5	26.2	72/23	14.9/16.9	0.0	1.50	401	64
Area C	0.4	12.1	33.9	43/55	12.6/14.3	0.2	1.57	366	63
Area D	0.6	10.8	26.9	60/36	13.6/15.5	0.0	1.56	378	55
Area E	0.6	11.9	31.3	55/42	13.7/15.6	0.0	1.49	412	67
State Avg 2018	0.6	10.8	27.8	69/26	14.3/16.2	0.0	1.47	395	64
State Avg 2017	0.5	10.7	27.2	76/18	14.8/16.8	0.0	1.53	395	60
NORTH DAKOTA									
Area A	0.4	12.2	31.8	48/49	14.6/16.5	0.2	1.54	388	67
Area B	0.4	12.5	33.7	37/61	14.1/16.0	0.7	1.54	403	65
Area C	0.6	12.7	32.1	43/55	14.2/16.1	1.0	1.60	404	68
Area D	0.6	11.8	29.8	57/40	15.4/17.5	0.2	1.58	405	68
Area E	0.5	12.4	31.0	43/55	15.0/17.1	0.3	1.66	384	65
Area F	1.0	12.4	31.6	43/55	14.7/16.7	1.1	1.62	411	67
State Avg 2018	0.5	12.3	31.9	45/52	14.6/16.6	0.5	1.57	398	67
State Avg 2017	0.5	12.6	30.4	57/40	14.6/16.6	0.1	1.50	382	65
SOUTH DAKOTA									
Area A	0.7	11.7	28.7	65/32	14.2/16.1	0.2	1.74	391	63
Area B	0.4	11.9	29.0	67/29	15.6/17.8	0.2	1.73	390	64
Area C	0.6	12.1	31.9	60/38	15.0/17.1	0.6	1.72	348	58
State Avg 2018	0.5	11.9	29.4	65/31	15.2/17.3	0.3	1.73	383	62
State Avg 2017	0.5	12.6	29.8	66/29	15.4/17.4	0.0	1.48	421	57
IDAHO - OREGON - WASHINGTON									
Area A	0.2	8.7	33.6	45/53	14.1/16.0	0.0	1.50	409	66
Area B	0.3	9.8	35.8	44/54	14.2/16.2	0.0	1.61	404	65
State Avg 2018	0.3	9.3	34.9	44/54	14.2/16.1	0.0	1.56	406	66
State Avg 2017	0.3	9.6	36.0	37/61	14.7/16.7	0.0	1.54	401	57
REGION AVERAGE									
State Avg 2018	0.5	11.9	31.2	50/47	14.5/16.5	0.4	1.57	399	66
State Avg 2017	0.5	12.1	31.5	53/44	14.5/16.5	0.0	1.50	389	62
Five-State Avg	0.6	12.2	31.8	48/49	14.0/15.9	0.2	1.51	382	62